No. 29 965

Business summary

Lavoro to

WALL STREET: The Dow Jones in-

dustrial average closed 4.85 down at 1,880.2. Page 38

TOKYO: New peaks were reached

as investors sought medium-priced incentive-backed stocks. The Nik-

kei average advanced 84.32 to a record 17,500.95. Page 38

LONDON: Institutional and US sup

port pushed leading equities higher again. The FT Ordinary share index added 8.3 to 1,353.1, while the FT-

SE 100 closed 8.1 better at 1,637.5.

DOLLAR fell in London to DM

2.2215 (DM 2.2160). It rose to FFr 7.0825 (FFr 7.0850); SFr 1.8195 (SFr 1.8175) and was unchanged at Y166.0. On Bank of England figures,

the dollar's index rose to 115.5 from

and Y252.25 (Y251.75). The pot

exchange rate index fell 0.1 to 76.0.

GOLD rose \$0.75 to \$345 on the London bullion market. It rose in Zu-

rich to \$345.20 from \$344.25. Page 30

HOESCH, West German steel group which last year paid its first divi-dend in a decade, expects a signifi-

cant increase in earnings for 1986

on the basis of its performance so

BASF, the West German chemicals

concern, has found sales picking up in the second quarter after a res-trained start and is "highly optimis-

tic" about prospects for the rest of

LIFFE, the London International

Financial Futures Exchange, is to

spend £1.2m (\$1.8m) on a big increase in trading capacity. Page 6

JAPANESE semiconductor manu-

factuers fear that long-running

talks with the US over alleged dumping of Japanese micro chips in the US may end without agree-

VOEST-ALPINE, troubled Austria

state-owned steel and industrial group, is bolding talks with unions aimed at cutting administrative and

THAMES Television, London com-

mercial TV station, said the offer

COMPANIA Telefonica, Spain's 47 per cent state owned telecommuni-

cations group, increased net profits

last year 20 per cent to Pta 30.15bn

AMERICAN Medical International

US hospital group, admitted a 59 per cent fall in third quarter earn-

ings to \$21.5m was incurred because it was not managing its costs

Euro-options . . . . . . . . . . . . . . . . . 35

Lex. 18 Lombard. 15

service staff by 2,400.

scribed. Page 17

(\$275m). Page 17

effectively. Page 17

FFr 10.7625 (FFr 10.7175),

115.0. Page 31

## TV report Banca del divides **British**

World news.

sell 49% Cabinet of equity The recommendation of a commit-BANCA Nazionale del Lavoro, Ita-ly's largest bank, plans to take 49 tee into the financing of British broadcasting that all 15 regional commercial television franchises should be put up for auction in 1988 per cent of its equity out of state hands and sell it to Italian and foreign investors. Page 18

has led to serious disagreements between senior Cabinet ministers. Home Secretary Douglas Hurd, the minister responsible for televi-sion, wants to reject the underlying free-market philosophy of the Pea-cock Committee report and several of its specific recommendations. Mrs Margaret Thatcher, the

Prime Minister, is understood to be more in favour of taking broadcasting completely into the free market by the end of the century. Page 16

#### **Divorce vote**

Ireland's 2.4m electorate voted in a referendum to decide whether to introduce divorce. The result is expected today. Page 2

#### **Emergency stays**

South Africa's Law and Order Minister Louis Le Grange said that the national state of emergency would not be lifted soon, as a parlia-mentary recess promised even tighter control of news of unrest.

#### Confidence vote

Portugal's minority Social Democrat Government last night faced a confidence vote. Prime Minister Anibal Cavaço Silva has challenged opposition parties either to let him govern unhindered or face an early election. Page 2

#### Bonn rejects calls

West German Economics Minister Martin Bangemann rejected US calls for it to boost its economy and said it was making better progress towards cutting its buge trade sur-

#### Turks condemned

Turkey's military court of appeal has ratified nine death sentences and overturned four passed on members of an extreme left wing group convicted of guerilla attacks before the 1980 military coup.

light aircraft were killed when it

collided with a Belgian Air Force

#### Belgian air crash The pilot and two passengers in a ment. Page 4

jet, whose pilot ejected safely. Top Chinese to stay Premier Zhao Ziyang of China said

there was no plan for President Li Xinnian or Communist Party chief Hu Yaobang to retire at its next for sale of 35 per cent of its equity congress set for late next year.

#### Britons released

٠ ز ٢

Two British engineers held in Nigeria for over two years won their appeal against 14 years jail terms for conspiracy and theft of an executive jet.

#### Magazine editor

New Statesman, British left-wing weekly magazine, named John Lloyd, Financial Times industrial editor, as its next editor.



In tomorrow's special issue we look at different styles of travel; we discover the best delis and department stores; and we check out the New York fashion buys. We look into skyscraper gardening . . . and skyscraper housing to make it possible. Even our chess and bridge columns and crossword have a US flavour All in the weekend FT tomorrow.

## Thatcher and Kohl hold out against Pretoria sanctions

BY QUENTIN PEEL IN THE HAGUE

AN IMPORT ben on South African coal, iron, steel, fruit and vegetables, proposed by the Dutch presidency of the European Community, last night threatened to divide EEC leaders at their summit meeting in The Hague.

Both Mrs Margaret Thatcher, the British Prime Minister, and Chan-cellor Helmut Kohl of West Germany maintained firm opposition to any imposition of sweeping economic sanctions, as part of a pack-age of measures to persuade the South African Government to open

a dislogue with genuine black political leaders.

The heads of state and government of the 12 member states were struggling last ni ht to find common ground on a "balanced pack-age", which most believed should include some restrictive economic measures, as well as "positive" action to support anti-apartheid

STERLING rose in London to \$1.5195 (\$1.5170). It also rose to DM 3.3750 (DM 3.3625); SFr 2.765 (SFr Mr Rund Lubbers, the Dutch Prime Minister and chairman of the summit, appealed to his col-league to find a balanced response which would promote dialogue in

British and German officials made clear that their Governments remained very sceptical about the value of hostile economic moves in promoting a dialogue. We want negotiation and we want dialogue, a British official Deni said. Measures we would be happy and

BY WILLIAM DULLFORCE IN GENEVA

FRESH opportunities for serious

constructive discussion of nuclear disarmament may have been opened up by the latest Soviet pro-

posals put forward at the nuclear arms control talks in Geneva, the

In the most optimistic statement

he has yet made, Mr Max Kampel-man, the head of the US delegation

to the talks, said at the end of the fifth round that his team was re-turning to Washington to "partici-

pate in the preparation of a con-

Moscow had introduced a new op-

tion in the negotiations on reduc-

tions in strategic nuclear weapons, Mr Kampelman said. Modified So-

US acknowledged yesterday.



"The objective is to achieve someing, rather than to make people

feel good."

French officials confirmed that a trade embargo on South African coal, iron and steel, wine, fruit and vegetables, had been proposed to the EEC leaders, along with a package of positive measures to support black groups in South Africa.

The measures including legal aid. The measures, including legal aid for victims of the latest state of

emergency and consolidation of current EEC programmes to the black community, are virtually Those member states seeking stronger economic measures are

US sees fresh hopes in

Soviet arms proposals

me US concerns.

The Soviet Union has offered as

More significantly, perhaps, the

Soviet agreed not to count interme-diate miclear force (INF) weapons

Pershing and cruise missiles

In the talks on space weapons, Moscow softened its previous de-

mand for a complete halt to Presi-

among the strategic weapons.

viet proposals in the talks on space dent Reagan's Star Wars pro- of the Soviet proposals.

weapons had been "responsive" to gramme It accepted that basic re-

reduction of strategic nuclear forces to 8,000 "nuclear charges" on each side, it has kept on the table the anti-ballistic missile treaty for at

fuller 50 per cent reduction first mentioned at the summit meeting between President Ronald Reagan and Mr Mikhail Gorbachev in November.

Least 15 years. They also offered to negotiate agreements banning space weapous aimed at satellite and targets on Earth.

The cautious hopes expresses by

stationed in Europe - such as US presented the actual state of nego-

France and Italy are prepared to go France and haly are prepared to go along with limited action, provided all the member states join in. Portugal shares the same basic opposition as Britain and Germany, influenced in part by the 600,000 Portuguese living in sSouth Africa. France, represented at the summit by both President France Mitters and Mr. Legues Chiese the

terrand and Mr Jacques Chirac, the Prime Minister, seems ready to go along with most of the trade measures, which would make a hig dent in South Africa's exports to the Community but not damage EEC

economies seriously.

The wine, fruit and vegetable embargo plan, in particular, would benefit both French and Italian farmers by removing a source of competition for products in surplus. Keeping out South African steel and iron would also be positively welcomed throughout the Commu-

The issues were discussed by the EEC foreign ministers yesterday morning without any clear solution although general agreement was reached on the measures to support black groups. The heads of govern-ment only reached the subject just to continue the debate.

The issue of South Africa could cloud an otherwise relatively conflict-free meeting - the regular six-Continued on Page 16

search should continue and that la-boratory research would be held at

Mr Kampelman received rough

treatment from Mr Viktor Karpov.

Mr Kampelman's assessment

tiations in a distorted light, a press

statement from the Soviet delega

block progress in the talks and had evaded a businesslike consideration

tion said. The US had continued to

## before dinner, when they were due

Same trade unions freed, Page 3

#### US may reduce growth **forecast** from 4%

By Stewart Fleming in Washington

THE REAGAN Administration is expecting to have to lower its real economic growth projections for 1986 from the current level of 4 per cent and to raise its estimates of the fiscal year 1986 budget deficit when it releases its mid-year review of

the budget outlook next month.
With first-quarter real growth of
only 2.9 per cent, and the second quarter widely expected to be lower, officials concede that it is in-creasingly unlikely that the current 4 per cent growth target can be met. After the first quarter it was esti-mated that the economy would have to grow at about 4.9 per cent through the rest of the year to reach the 4 per cent level for the 12

Growing pessimism about the conomic outlook is already translating into mounting political pres-sure on the Federal Reserve Board to cut its discount rate again and ease mooetary policy.

The White . House dropped a heavy hint earlier this month that, while not wanting to interfere with the Fed's independence, it would like to see interest rates decline. Yesterday, Mr Robert Dole, the powerful Senate Majority leader, reinforced the message he has been sending recently to the central bank, calling on the Fed to lower interest rates, saving "now is the time to lower interest rates... this would help to stabilise, not disrupt, the

current economic situation.

The increasing political pressure
on the Fed as the economy stagnates and the mid-term election approach, comes ahead of a key meeting of the central bank's mone committee (FOMC) on July 8-9.
Shortly after this meeting, Mr Paul Volcker, the Fed Chairman, will be testifying on the Fed's monetary policy in Congress.

On Wall Street, economists who watch the Fed are increasingly predicting that the central Bank will lower its discount rate and - particularly after the gloomy first-quarter gross national product report from Japan - that this could come in the context of another intenationally co-ordinated discount rate reduction.

terday a conference committee of the House and the Senate which has been working to try to patch together a fiscal 1987 congressional budget resolution, appeared to be nearing agreement.

The main stumbling block has been defence spending, with neith-

## ITT in talks on European telecom deal

BY JASON CRISP IN LONDON, PAUL BETTS IN PARIS

EUROPE'S fragmented telecommunications industry may be close to a huge upheaval and reorganisation which would be extraordinarily complex and have considerable ong-term repercussions.

TTT, the US conglomerate which has substantial telecommunications interests across Europe, has long been seen as the key lo changing an ndustry that has been traditionally highly nationalistic.

Yesterday ITT confirmed in a terse statement that it had held discussions with the French state-owned Compagnie General d'Elec-tricité (CGE). These discussions are in fact at an advanced stage, and proposals are understood to have een made to the French Government. That confirmation helped seed the troubled ITT's share price yet higher on Wall Street to \$53 ot one stage yesterday - up \$7 from Tuesday.

Discussions are still going on and a conclusion is expected within the next few days. If successful, the talks could creote a buge telecom-munications group with interests across Europe and with access to the US market. But the complications of shareboldings, political in-terests and technical systems are

The current proposal is thought to run roughly along the following lines: a new joint venture company would be formed in which ITT would hold 30 per cent. This compa-ny would consist of ITT's substan-tial European and US telephone in addiequipment businesses, which las tyear had turnover of \$4.6hn, and Alcatel, CGE's telecommunications subsidiary. CGE would hold about 50 per cent of the joint venture.

lecommunications manufacturers, Plessey and GEC.

Stet, the Italian telecommunica-10 per cent stake but denied this ter of international deal making. strongly yesterday. An official in For more than a year, he has ne-Rome said: We have never been gotiated separately with ITT and part of the negotiations, we have no AT&T. He has reached a major ininterest whatsover in the deal and dustrial agreement with AT&T, in we can exclude any further interest.

For ITT there is the huge benefit of receiving about 52hn for the sale of assets and a reduction of debt. It would also lift some of the hurden of System 12, the digital telephone exchange which ITT has spent over 51bn developing and which has run Continued on Page 16 into technical problems in several

A Grosse noi Estate Project by Wheatsheaf Investments -

Ericsson, the Swedish telecomgroup, is to supply its Axe digital switching system to the South-western Bell telephone company for a marketing trial in an inte-grated services digital network. The agreement marks the second success in less than three weeks for Eriesson in its bid to become the "third supplier" of digital public switching equiment to the Bell telephone operating companies in the US.

countries, including Norway and

Yet such a deal is fraught with difficulties. First, there is the complexity of France's own telecommunications policy. Alcatel is also in paraliel discussions with American relephone & Telegraph though it is thought that the two deals are oo: necessarily mutually exclusive.

Second, many of ITT's European telecommunications subsidiaries in Europe are partly locally owned, most notably Standard Elektrik Lorenz, its large and fiercely independent West German subsidiary, when is only 86 per cent owned.

Third, it is going to bring together conflicting interests through a wide variety of different systems of digital telephone exchanges. Alcatel itself bas two systems as a result of its 1983 merger with Thomson of France. ITT has System 12, while GEC and Plessey have System X in

In addition, Plessey has a second system in the US being sold by its subsidiary Stromberg Carlsson, And if AT&T is involved with the French and Alcatel, that introduces yet another system into the melting pot. AT&T also brings Philips, the Other companies thought to be pot AT&T also brings Pnups, the incrested are Société Génrale de Dutch electricals group, into the Belgique, and Britain's two main tequation through their joint company APT, which sells the US company APT, which sells the US company are digital exchanges. ny's digital exchanges.

This complex venture is the prodtions holding company, was ru-moured to be interested in talking a bane chairman of CGE, long a mas-

would give Alcatel the support of AT&T to market its digital switches in the US and would also form a rowave business. In return, AT&T would gain

access to the French public phone switch market with an initial

Continued on Page 16

## Ferruzzi seeks UK clearance before any British Sugar deal

BY LIONEL BARBER IN LONDON

FERRUZZI, the giant Italian food and agricultural business, yesterday took the onusual step of asking the UK Government to order a Monopolies and Merger Commission inquiry into its shareholding in S&W Berisford, the commodity

trading group.

Mr Raul Gardini, the Ferruzzi chairman, made the request during a press conference in London when he outlined his interest in buying the whole of, or a controlling stake in British Sugar, the UK beet monopoly which is a wholly-owned Berisford subsidiary.

The Office of Fair Trading (OFI) aid yesterday that it was examining Ferruzzi's proposals and would make a recommendation to the Secreatary of State for Trde and Industry, Mr Paul Channon, shortly. Under the Fair Trading Act 1973, the declaration if intent to make a bid is enough to warrant a Monopolies Commission reference.

Mr Gardini, flanked by his merchant bank advisers, Barclays De-Zoete Wedd, said that Ferruszi wanted to be treated on an equal footing with Tate & Lyle, the UK sugar refiner, whose conditional bid for Berisford has been referred to the Monopolies Commission. Tate has made clear that it is only interested in acquiring British Sugar, a move which would give it more than 90 per cent of the UK sugar

It signalled that it was serious in its former president of Britain's National Farmers' Union, as chairman hicle for Ferruzzi's interests in Brit-

Ferruzzi stopped short of unveil-ing a formal offer for Berisford, but intentions by announcing the ap-pointment of Sir Richard Butler, a of Agricola UK, a newly created ve-

ers to Berisford. Mr Sandy Muirhead, of Charterhouse, said that Ferruzzi should clarify its position in the interests of Berisford share-The National Farmers' Union al-

so attacked Ferruzzi's proposals. Mr David Naish sald in a statement that the NFU had "said consistently that we would prefer British Sugar to remain in British ownership. Mr Naish said the NFU had

asked the OFT to examine whether it was advisable to allow Ferruszi to control such a large portion of the European sugar industry. Ferruzzi currently has 18 per cent of the Eu-ropean market, if it were to control British Sugar, its share would rise to 22 per.cent.

Mr Gardini said Ferruzzi would only increase its stake in Berisford if there were no objections form the

house Japhet, merchant bank advis-Page 22

The failure to announce a formal bid drew criticism from Charter-Lex, Page 16; News analysis,

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nuclear power ....... 14 Survey ...... Section IV

#### Air traffic in Europe 'to increase by 5.4%'

The Association of European Airlines is prediction a 5.4 per cent annual growth of air traffic in Europe for the next five years, AP reports from

Passenger traffic is expected to rise from 43.5m to 53.8m in 1990, the association said

The forecast is based on a 2.5 per cent annual growth of the European gross national product and steadily decreasing

The association said total international air traffic dropped by 3.1 per cent in April, reflecting the public response to recent politics events coincid-ing with an already-weakened demand from the US. Traffic dropped by 10.4 per cent on the North Atlantic, but in-creased 17.5 per cent on the South Atlantic.

#### Soviet N-plant plan

Soviet authorities are going ahead with plans for the country's biggest graphite-moderated nuclear power station despite the Chernobyl accident, according to officials in the republic of Lithuania, Reuter reports from Vilnius.

The four-reactor plant at Ignalina, Lithuania, will bave a capacity of 6,000 Mw. making it 50 per cent larger thao Chernobyl and ooe of the most powerful plants in Europe.

#### Le Pen gun alert

National Assembly deputy Mr Jean-Marie Le Pen, leader of France's extreme right wing National Front, said yesterday he was involved in a dispute with customs officials at New York's Kennedy airport who found a gun in his luggage. The dispute arose over the validity dispute arose over the validity in the US of a permit justifying his carrying of a gun, AP reports from Poris.

#### Fermenta accused

The Swedish Bank Inspection Board accused Mr Refaat el-Sayed, main owner and group chief executive of blotechnology company Fermenta AB, of vio-lating laws barring insider trading, Reuter reports from Stockholm,

France 'assures Arabs'

## FitzGerald appeals for support on divorce

BY HUGH CARNEGY IN DUBLEN

divorce for the first time. An opinion poll on Wednesday showing the proposed con-stitutional ameodment would be defeated prompted a wave of last minute appeals from Dr Garret Fitzgerald, the Prime Minister, and other government

cations a defest could have for divided country to place hopes of reconciling lhe Republic and Northern Ireland, where to reconcile both traditions Unionists would regard it as proof of the dominant position of the introduction of divorce."

deputies said defeat would make the border like the Berlin Wall. In a similar vein, Mr Barry Desmond, Health Minister, a member of Fine Gael's coalition partner Labour, attacked the ettitude of the Catholic hierarchy which strongly opposes divorce under any circum-

For the first lime in the campaign, they stressed the implications a defest could have for
hopes of reconciling the Bart with the tragic history of this divided country to place grealer emphasis on the need

THE Irish Covernment today of the Roman Catholic Church he said. "Many may die if we anxiously awaits the results in the south. A statement by do not take the necessary steps from yesterday's referendum on a proposal to introduce deputies said defeat would make island."

Dr Flügersid has pinned much of his political career oo trying to make the Republic a more liberal society and his authority, and that of his coali-tion, would be seriously under-

Voting continued until 10 pm last night and counting does not start until this morning. Early indications were that turnout would be around 55 per cent, which compares with 58 per cent in a referendum three years ago which coshrined a ban on abortion in the consti-tution.



## Opec hopes for majority accord on output

Anti-nuclear wave hits

Yugoslav party congress

DETAILED discussions on the level of collective output best geared to raise oil prices to the \$17.\$19 per barrel range by the end of the year are expected to start today as the meeting of the Organisation of Petroleum Exportiog Countries enters its third day.

"I think we will come up with an agreement." Sbelk Yamani, the Saudi Arabian Minister of Oil, said yesterday. However, it is generally sccepted that st best this can only be a majority accord, with Iran,

However, it is generally sceepted that st best this can only be a majority accord, with Iran, Algeria and Libya once again disassociating themselves.

Moreover, any new and higher eeiling clearly could not apply before the lsst quarter of 1986.

Talk is likely to centre on a figure of \$17.5m b/d. Iraq is understood to bave given some

BY ALEKSANDR LEBL IN BELGRADE

gress yesterday, with some delegates urging an end of the country'a nuclear power programme and a ban on US and Soviet navy ships earrying nuclear weapons entering Yugoslav ports and waters,

The calls were more a reflec-

tion of the diversity of opinion expressed at the congress that

takes place every four years

THE post-Chernobyl wave of energy option.

anti-nuclear sentiment hit the The congress yugoslav Communist Party connesday with

They are alarmed at the of demand agreed upon by the nerease in the volume of Opec experts. In practice, though, it flooding the market in the they are unlikely to reach any increase in the volume of Opec oil flooding the market in the second quarter, averaging about 18m b/d compared with the estimate of 16.3m b/d demand

made at the last conference. Doubts still persist, mean-while, as to wbether Saudi Arabia, Ruwait and the United

Algeria and Libya have shown no signs of shifting from their insistence of a reduction of 14-14.5m b/d.

boubts still persist, meanwhile, as to whether Saudi Arabia, Ruwait and the United charged with maintaining control and end to the price war in the said by delegates to have clarition that they want to continua in the form of output restraint a squeeze on non-Opec production to bring about some kind of global agreement, recognising a much bigger share of the market for Opec.

The group of five ministers there group of five ministers with other producers were said by delegates to have clarities that might be forthcoming from those willing in principle to assist Opec in devising a plausible output sharing system.

market for Opec.

Among the minority, Iran has initially given the impression of being more concillatory. It has proposed a cut of 10 per cent in Opec output from the level region of 17.5m b/d.

They believe that Mexico, Egypt, Oman, Guyana, Malaysia and Brunei would be prepared to collaborate if Opec observed from October a ceiling in the region of 17.5m b/d.

#### **Zurich conference to** discuss exchange rates

BY IOHN WICKS IN ZURICH

THE international parliamen-tary working round on exchange rates and co-ordination, to be held in Zurich this weekend,

energy option.

The congress started on Wednesday with a tongue-lashing speech from Mr Vidoje Zarkovic, the retiring party president, who criticised the party for falling to belp push through economic reforms. Most of the hundreds of delegates who have spoken so far have favoured market-oriented economic reform, less state interference in busines life and less constriction of private

France 'assures Arabs'

France has told Arab powers that it will not supply Iran with arms and is Interested in helping end the Gulf war, the newspaper Al-Qabas said yesterday, AP reports from Kuwait.

Takes place every four years that the post of the Mikulic government of the Mikulic government, which despite recent the party at the postponement of the one new federal level, delegates will noclear reactor scheduled to be today elect, by secret ballot, the built in the next five years wants to retain the nuclear mittee. enterprise.

central banks and parliaments before the September meeting of the Internstional Monetary

beld in Zurich this weekend, is described by its organisers as the "working flipside" of lows the US congressional summit on exchange rates and the May's Tokyo summit.

The informal conference, called by the Washingtoo consultants Smick-Medley and Associates, is intended to focus on "defining the political and intellectual boundaries of the proposed new coordination agenda."

Mr David Smick said in Zurich yesterday that this would mean discussing whether a consensus existed on international coordination. A report on the Finance Minister, and chairman

mean discussing whether a con-sensus existed on international and Mr. Onno Ruding Dutch-co-ordination. A report on the Finance Minister, and chairman proceedings was to be for- of the Group of Ten and the warded to finance ministers,

#### French papers make a splash in the regions

By David Housego in Paris

TWO OF FRANCE'S national pa-pers are bringing out regional edi-tions in Lyons in what marks a small upheaval in the press of the country's second-largest city. Le Monde began its Rhône-Alpes

edition in January and now daily

publishes two pages of regional news and analysis by dropping the Paris entertainments guide that ap-pears in the national edition. The modest aim is to maintain the loyalty of its existing reader-ship and to achieve a 10 per cent in-

Liberation has a far more ambitious project: to develop a genuinely local paper into which the national edition will be slipped. It has re-cruited 50 staff locally, including 30 journalists and is spending more than FFr 12m (31.7m) in launch costs with a start-up planned for

Both moves have been accelera ed by the recent takeover by Mr Robert Hersant, the right-wing press proprietor and owner of Le Figaro, of the Progrès de Lyon and its sister papers. The takeover gives the Hersant press a virtual monopo

ly of newspapers in the region.
Attempts by the former Govern-ment to block further expansion by the Hersant group came to nothing and the Government of Mr Jacques Chirac has been putting a new press Bill through the National Assembly which effectively removes some of the obstacles to the con-tinuing growth of the Hersant em-

Both measures of decentralisation by the national press also come at a time when there has been a sharp drop in Lyons in newspaper readership. Mr René-Pierre Boullu, the new local editor of Libération, says the situation for the press in the area is "catastrophic," with 150,000 families abandoning readership of newspaper over the past 10

Among the most popular papers in Lyons are the freely distributed advertising journals which are thin on news and heavy in classified ad-

Liberation will be providing 16 pages of news oo Lyons a day, aimed at its young readers who are mainly in the 25-30 age bracket. Much of its coverage will be based on providing a personal focus on the problems and enjoyments of living in the city.

If the Lyons edition proves suc-cessful, Libération plans to launch similar ventures in other cities such

## **EEC** reform of trade barriers 'behind schedule'

BY QUENTIN PEEL IN THE HAGUE

within the Community were falling well behind schedule.

In strongly worded criticism
of the Council of Ministers —
the decision-making body of the
12 member states — the Commissioo said it had "not shown the sense of urgency or deter-mination to see the programme through on time."

The Commission singled out finance ministers and agricul-ture ministers for failing to make progress with important proposels for scrapping trade

Its progress report on the work to achieve a genuine common market in the Community by 1992 — as agreed by EEC leaders a year ago in Milan — was presented to yeaterday's summit meeting in the Hague. summit meeting in the Hague.

Referring to plans to reform the Treaty of Rome in order to speed decision-making in the Council of Ministers, agreed in Luxembourg last December, the Commission said: "The Spirit of Luxembourg does not appear to have infused the attitudes of member estate in the Council

THE European Commission removing specific barriers to yesterday warned member trade, but admitted it was not states of the EEC that plans to enough to meet the timetable. "It bas become clear to the Presidency that the internal market can only be achieved if the institutions and the mem-

ber states make even greater efforts," it said. The Dutch singled out three areas for particular emphasis:

The need to agree on tax barmonisation, described as "an essential prerequisite for completion of the internal market." • The need for greater com-petition for government spend-

ing contracts across EEC frontiers. The liberalisation of transport, the lack of which resulted in "very high unnecessary

All are controversial for many member states and the Com-mission paper noted the fallnre of finance ministers to make progress with several proposals on harmonisation of value added tax and excise duty.

It also claimed that agricul-ture ministers bad "devoted little time to (internal market) proposals" in their area of responsibility.

member states in the Council responsibility.

The Dutch Government, The Commission also claims which holds the chair of the EEC Council of Ministers, still claimed good progress in its proposals on time.

#### **EEC** asked to back food export co-operation

BY QUENTIN PEEL IN THE HAGUE

EEC leaders were yesterday which has not hitherto proasked to endorse a plea for more co-operation between the world's leading food exporters to stabilise world markets.

The European Commission and the Dutch presidency of the Community called for a stress on greater co-operation to underpin the efforts of the EEC and other producers to reform their farm sectors and curb

overproductioo.
Without such co-operation, the Commission warned, "the exporting conotries risk adopting support measures which lead to increased financial costs

The stress on the need for velopment of world agricultural co-operation is an old theme trade."

doced any successful operation, even between porters such as the EEC, the US, Australia, Canada, New Zealand and Argentina.

The position put to the heads of government at their summit in the Hague suggests a new stress on a co-ordinated market approach, both in international trade negotiations like the new round of the Ceneral Agreement on Tariffs and Trade (Gatt) and in bilateral talks such as those under way between the US and EEC.

"In this situation, the need

lead to increased financial costs without corresponding benefits for concerted action in the for. the agricultural community."

The Dutch proposal says that cludes. "Such action must the problem of overproduction of major foodstuffs—cereals, ment of domestic support dairy products and meat—is worldwide and requires a cooperative solution on a similar scale.

In this situation, the need for concerted action in the European Commission conmunity."

European Commission concern not only the adjust-operative solution on a similar of world markets and the device of the concern of the conc of world markets and the de-

#### Balmy weather makes for EEC summit's festive air

BY LAURA RAUN IN THE HAGUE

BALMY WEATHER and a re- of state a chance to ponder latively relaxed agenda for the broad issues in studied casual-European Communityl summit in The Hague created a rather

dent, and Chancellor Helmut Kohl of West Cermany leaped

out of their cars to stroll to-gether.

The only real threat to the comparative calm is the issue of South Africa, which could leave the 12 summit members in dis-array if no agreement is reached.
Motorcades ferried the gov-

ernment leaders to a lunch with Queen Beatrix and later to the Kurhaus coastal resort. The Kurhaus coastal resort. The clampdown on news left the 750 accredited journalists lolling about the courtyard of the Agriculture Ministry while summit talks went on next door.

The Netherlands, as current EEC chairman, has spared no effort in staging the semi-annual summit designed in give prime ministers and heads minister has led to a series of carefully choreographed appearances.

Both were invited to the Palace, where they were said to have sat beside each other and spaken only between themselves.

Security measures alona bave

festive air that even the superorganisation of the Dutch
hosts failed to suppress.

Cordiality prevailed during a
traffic jam as Mr François
Mitterrand, the French presiMitterrand, the French presiMitterrand President Security Measures along have
cost the Dutch government
cost the Dutch

surpassing those for last year's papal visit.

A Dutch frigate is moored off the 19th-century Kurhas while helicopters buzz overbead and sandfilled skips surround the press centre.

Kurbaus staff have been vetted for a year and a security check began weeks ago for bombs.

Mncb attention has been focused on the pas de decux between President Mitterrand and his Prime Minister, Mr Jacques Chirac. This cohabitation between a Socialist president and conservative nrime minister has led to a series of carefully eboreographed appearances.

Both were invited to the

#### **West Berlin debates** SPD split over defence

BY LESLIE COLITY IN BERLIN

AN OPEN rift within the once dominant West Berlin Social Democrat Party (SPD) has un-leashed a fierce debate over the party's ties to the Western The opposition SPD, which

governed the city until 1981, was split last weekend when a minority of 65 SPD rightwingers stormed out of a party

congress.
The walkout was in protest The walkout was in protest over a resolution by left-wing SPD delegates to approve a "security partnership" with the Warsaw Pact instead of Western military determine Warshington Mr Rau, who is attenuate to ment year's West German election, to bring the wast Berlin SPD "to its senses."

The issue is embarrassing to Mr Rau, who is attenuate to ment year's West German election, to bring the waste waste with the waste waste with the sense of the waste was military deterrence. Washington was sharply criticised for its "policy of force and superiority."

The US, along with Britain left.

The US, along with Britain left.

At its peak under former troops in West Berlin since 1945 to prevent it from falling SPD in 1963 polled 62 per cent of the votes in the West Berlin alections. In last wear's hollot.

Chancellor Relmut Kohl's Christian Democrats accused the opposition of abandoning its previous common ground with the other parties and of moving "closer to Moscow than to Washington" on key political

Mr Eberhard Diepgen, mayor of West Berlin, has called on Mr Johannes Rau, the SPD's candidate for next year'a West

Mr Rau, who is attempting to dispel the widespread impression in West Germany that the SPD is sliding to the

The parliaments of West elections. In last year's ballot Berlin and West Germany ing, bowever, it plummeted to yesterday debated the split. ing, bowever, it plummeted to an all-time low of 32.4 per cent.

#### Vote of confidence for Lisbon government

By Peter Wise in Lisbon

PARLIAMENT was to decide the fate of Portugal's minority Social Democrat Government last night in a vote of confidence. Mr Anibal Cavaco Silva, the Prime Minister, has challeoged opposition parties either to let him govern unhindered or face an early election.

The opposition was expected to refrain from toppling the centre right administration and provoking a crisis.

Defect of the motion would force the Covernment to resign. A victory would give the Prime Minister greater moral authority in his repeated confrontations with parliament but would not presently ease the practinot necessarily ease the practi-cal problems of getting legisla-tion through with a minority of less than a third of the parlia-

mentary seats.
The declared opposition of the Socialists and Communists and the expected abstention of the centrist Democratic Renewal Party (PRD) un-expectedly made the votes of the 22 Christiao Democrat depoties crucial to the Govero-

ment's survival. Although natural government supporters, the Christian Democrsts allowed speculation to mount over their voting lotentions in an apparent bid to win counter benefits for backing the Social Democrats,

Mr Cavaco Silva tabled the confidence motion on the grounds that the Government grounds that the Government programme approved by the opposition when he came to office last October was being subverted by persistent alterations, delays and blockages of government legislation in preliment.

His action was provoked by opposition changes to the bodget, restrictions on plans to reprivatise state media and move to delay the revision of rigid labour laws that make it almost impossible to dismiss

workers.
Opposition parties accuse Mr
Cavaco Silva of failing to accept
a minority government's obligatioo to seek compromise and
consensus nn policy and of
creating an artificial conflict to
deflect attention away from the
Government's alleged inability
to revive business confidence,
despite favourable economic
conditions.
But the Prime Minister workers.

But the Prime Minister appears to have calculated his risks carefully. If he must face an election, he would clearly rather do so before economic growth falters

#### Gatt committee gears up for Uruguay talks

By William Dullforce in Geneva

THE PUBLICATION of two rival draft declarations for trade ministers has this week injected a sense of urgency into the committee pre-paring for new multilateral trade negotiations.

The pace and atmosphere of the committee's work in both informal and formal sessions this week had changed markedly, a spokesman for the General Agreement on Ta-

riffs and Trade (Gatt) said.

Mr Arthur Dunkel, the Gatt secretary-general, announced yesterday that the preparatory committee would go into permanent session from July 8 in an effort to resolve serious differences remaining be-tween the big trading nations and the hard core of developing coun-

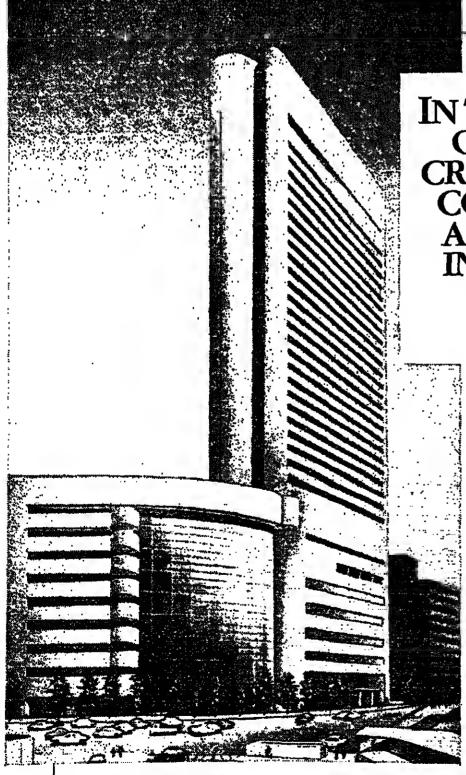
deadline for preparing the declar-ation with which it is hoped trade ministers meeting at Punta del Este, Uruguay, in September can launch the new round of negotia-The two draft declarations - one from nine industrialised countries, the other from 10 developing coun-

The committee has a mid-July

tries – draw the lines. The three major trading blocs, the US, the European Community and Japan, have this week rallied round the draft declaration pro-duced by nine industrial countries.

The US and the EEC have both emphasised this week that they will not accept any declaration which, like that proposed by the 10 devel-oping countries, omits all references to trade in services, intellectual property rights, direct invest-ment and other "new" Gatt issues as subjects for negotiation.

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OSAKA HILTON INTERNATIONAL

#### Pressure mounts for **Shin Bet** inquiry

By Andrew Whitley in Tel Aviv

THE EMBATTLED Israeli Government of Mr Shimon Peres yesterday faced mounting pres-sure for o full inquiry into the Shin Bet affair " n day after the enforced resignation—and pardon—of Mr Avraham Shalom the internal security chief.

Mr Yitzhak Shamir, the former Likud Prime Minister, cur-

mer Likuu Prime minister, cur-rently serving as Foreign Minis-ter, said he had "nothing to fear" from the public investi-gation of the scandal being demmded by an increasing number of politicians, particu-larly in the Labour Party. A potentially serious threat to

A potentially serious threat to the Government's hopes of washing its hands of this unsavoury affair—the 1984 murder of two Palestinian bus hijackers and its aubsequent cover up—could come from three petitions presented yesterday to the high court by left wing politicians and lawyers. These challenge President Chaim Herzog's right to pardon the Shin Bet officials to pardon the Shin Bet officials involved in advance of charges

being brought.

Defending the Government's handling of the affair, Mr Peres said yesterday the political establishment had to stand behind those who carried out orders, a reference to the usuolly shadowy Shin Bet security

Mr Shamir said that while he understood the concern of jurists over the handling of the " they should also under stand that sometimes state security must come first."

#### Australian pay rise awarded

By Emilia Tagaza in Manila

ONLY A fortnight after Mr Bob Hawke, the Australian Prime Minister, announced austerity measures, Australian workers were yesterday awarded a 2.3 per cent wage increase from next month. The decision, next month. The decision, announced by the independent Concillation and Arbitration Commission, followed months of negotiations with trade unlons,

## South Africa frees some trade union leaders Aquino

BY OUR JOHANNESBURG CORRESPONDENT

SEVERAL black trade union leaders, including the general prepared to negotiate with any secretary of the Council of hostile forces."

South African Trade Unions (Cusa), Mr Piroshaw Camay, Information reported yesterday where calls can be made in continuous continuous and are not involved in "necklacing" or any form of incitement to violence in the townships. They supplied telephone numbers where calls can be made in continuous continuous and are not involved in "necklacing" or any form of incitement to violence in the townships. They were releosed from detention under emergency laws yesterday while Mr Louis le Grange, the Minister of Law ond Order warned that the state of emergency would not be lifted in the near future despite the passage into law of tough new security law amendments. aw amendments.

He told o National Party rally in Nelspruit in the Eastern Transvaal that the Government would not make the mistake again of lifting the emergency too soon and added: "We are determined to apply all exposts."

under a truck on a gravel road close to the township of Soshan gave, north of Pretoria yesterday morning while another five
blacks were killed in separate
violent incidents. This hrings
the official total of "unrest"
deaths since the emergency was
declared to 67. The black
driver of the truck was not
hurf.

The police have offered n again of lifting the emergency reward of up to 1,000 Rand too soon and added: "We are (£263) for information leading determined to apply all aspects to the arrest of people allegedly The bureau, meanwhile, has

responded to media requests for

Thus one of the five blacks whose death was recorded in the latest official report was shot during an alleged attack by about 230 blacks on a railway police vehicle in Daveyton, east of Johannesburg.

Secretary, yesterday toured townships around Durban and after studying photographs and affidavits and talking to town-shlp residents, accused members of the Zulu Inkatha movement heoded by chief Mangosuthu Buthelezi of what he called "vigilante violence."

Michael Holman adds from London: A group of leading British companies have endorsed o statement calling for "funda-mental political change" in South Africa but express opposi-tion "to any measure oimed at damaging or undermining the South African economy. "Such measures would be

Mr Denis Healey, the British counter-productive." says the Labour Party's shadow Foreign atatement, "and likely to lead secretary, yesterday toured to increased polarisation of attitude and the removal of all possibility of peaceful change." The statement has been circulated by the British Industry Committee on South Africa (BICSA), formed earlier this year, whose chairman is Sir Leslie Smith, a director and

> Over 30 companies have backed the statement, including BP, Consolidated Goldfields, Hill Samuel, Mitchell Cotts, Rowntree Mackintosh, Rio Tinto. Shell, Unilever and Reckitt and

former chairman of the BOC

Anthony Robinson reports from Johannesburg on limits to parliament's power

## Opposition MPs pierce the stifling silence

ONE OF the first acts of the Bureau for Information, the sole source of official news and comment on "unrest" since the declaration of South Africa's atate of emergency two weeks ago, was to warn the media not to use the term "white minority regime" to describe the country's government.

Formally, the Burean had o point. Since the introduction of the new constitution in Septemher, 1984, South African laws have had to be approved through a complicated legisla-tive process involving not only the House of Assembly with its white parliamentarians but also the coloured House of Representatives and the Indian House

The tri-cameral constitution, which totally excludes blacks who have no parliamentary representation at all also ensures that in the last resort the sures that in the last resort the ruling white Afrikaner National Party has the last word. The vehicle for preserving the essence of Afrikaner parliamentary power is the President's Council, the top level policy advistory body which has a built-in National Party majority. majority.

In case of a deadlock in the standing committees where legislation is thrashed out between members of all three



Mrs Helen Suzman (left) was offended by the attack on the role of parliament by Dr Frederick Van Zyl Slabbert

Botha signed amendments to the Internal Security Act and the Public Safety Act. These empower the Minister of Law ond Order to declare any part ond Order to declare any part of the country an unrest area and detain people without trial for 130 days, virtually in-communicado. They also grant the security forces legal indemnity for their actions, provided they are taken "in good faith."

The amendments, which give Commission, followed months of negotiations with trade unions, employers and the Government houses, legislation passes to the trade unions' demand for a computsion, which is then passed to sory 3 per cent productivity pay rise, while allowing individual unions and employers to conduct productivity negotiations.

It is thrashed out between members of all three the Government permanent powers similar to those of a session where the role of parliament powers similar to those of a session, which is then passed to the State President for his signature.

On Tuesday night this productivity negotiations.

irst time when President P. W. Assembly, the Progressive Fedbecome low even though a majority of MPs in all Houses

voted ogainst them hy 159 votes

to 146. The Government was to 146. The Government was condemned by leaders of the coloured and Indian Houses as well as the PFP for overruling the expressed will of Parlia-This latest example of the This latest example of the limitations of parliamentary democracy in Sonth Africa comes at the end of a session where the role of parliament has come under scrutiny and criticism as never before.

On the one hand it has seen the pressure of the pressure

which for most of its 38 years in power has been dedicated to enforcing apartheid. Its most important net has been scrapping 34 lows and amendments which formed the

basis of influx control and the pass lows. Parliament is to be re-convened for an additional session on August 18 to approve

the other reforms proposed by the Government. On the other hand, parliament's most reformist session has olso heen characterised by several profound sbocks to the whole system of parliamentary government. In the first week of the new session a stunned House of Assembly heard Dr Frederick Van Zyl Slabbert announce his decision to give up the leadership of the PFP and his seat. Parliament, he said, had become "a ritual of irrelevance" engaging Itself in "ridiculous political debate while our country is hleeding."

Since then Dr Slabbert has appeared on a platform of one several profound spocks to the

apartheid. apartnerd,

His attack deeply offended
many of his erstwhile supporters, including Mrs Helen
Suzman, who for years battled on as the lone opposition voice in parliament. Her unremitting crincism of Government actions and formal questions in parlia-ment have not only kept the Government on its toes hut also provided an invaluable source of information.

the Minister of Law and Order, to reveal the numbers, names and ages of those detained. But by reading out several names of suspected detainees in parliasuspected detainees in parliament, she nevertheless was able to use the protection of parliamentary privilege to belp reveal the wholesale nature of the detentions of community leaders, from churchmen to trade unionists.

In her condemnation of the Government's refusal to onswer questions even in parliament. Mrs Suzmen comploined that "South Africa had become like El Salvador ond Argentina, where people went missing and their governments refused to say whether those concerned were dead or not."

It is this kind of comparison which can still be made in par-liament—but no longer outside its walls where such a state-ment would almost certainly come under the hianket defi-nition of "suhversive," appeared on a platform of one of the main extra-partiamentary opponents of apartheid, the Umited Democratic Front, aimed at seeking white support for a broad non-racial alliance against that parliament should not go into present white the state of the property of the pr

into recess while the state of emergency continues, just as it refused last July to reconvene parliament when it announced the first state of emergency.

After the latest warning to the domestic and foreign media to toe the line on the emergency regulations or else, the silence hanging over South Africa will become stifling than ever.

## names team to negotiate with rebels

PRESIDENT Corazon Aquino of the Phllippines yesterday named a two-man government team to seek a ceasefire in the coontry's communist · led insurgency.

The emissaries—Mr Ramon Mitra, the Agriculture Minister and Mr Jose Diokno, head of the Presidential Commission on Human Rights-will hold negotiations with Mr Satur Ocampo, the man aiready nominated to represent the Communist Party and its military wing — the New People's Army.

Mr Diokno, a former sena-tor, is known for his strong nationalist sentiments and left-leaning opinions. Mr Mitra, seen by some as a ris-ting star in the Aquino admin-

Mrs Aquino's announceears Adulto same at o press conference at which she also revealed she had recrived \$15m in immediate economic assistance from the European Economic Community.

The sum, given by Mr Clande Cheysson, visiting Commissioner for North-South Relations, is part of a \$40m package from the Euro-pean Commission's budget, Although substantiat, the

commitment is small by comparison with assistance on offer from the US and Japan. Of the EEC member states, only West Germany has a significant aid programme to the Philippines.

In a stream of meetings yesterday, Mrs Aquino also met Mr Timothy Renion, Minister of State at the UK Minister of State at the UK Foreign Office. He is one of many foreign ministers in Manila for talks between the six-nation Association of Sonth-east Asian Nations and its leading trading partners. Mrs Aquino refused to say

when the ceasefire talks with the communist insurgents would begin. On the chances would hegin. On the chances of its success, she acknowledged that some people would never co-operate with her Government, but said it was important to hove "o meaningful dialogue if only to prevent loss of life." **Two Britons** held for jet theft freed in Nigeria

Nigeria has freed two British engineers jailed since 1984 after they won appeals against conviction for the theft of an aircraft. Michael Helman reports. Britain yeslerday wel-comed the release of Mr Kenneth Clark and Mr Angus Patterson, who were facing a 14-year joil term for allegedly issisting in the illegal departure of a jet from Lagos in May, 1984, about two months before an abortive kidnapping in London of a former Nigerian minister sought by Lagos on corruption charges. The court decision ends an affair which added severe strains to Anglo-Nigerian relations.

#### Execution stayed

Malaysia's Penang State Legal Department has said it would withhold a draft death warrant for Austrolian drugs trafficher Mr Brian Chambers until o plea for a stay of execution was heard next month. Renter reports from Penang. After a hearing yesterday, the state's legal advisor, Mr Shaari Yussof. said he would also withhold a warrant for Mr Kevin Barlow until appeals are heard, Both men have been condemned to hang for trafficking heroin.

#### Hostage release hint

The Tehran Times yesterday quoted a senior framian official as saying from could help free British hortages in Lebanon in the same way Tehran's "idea-logical links" helped free two Frenchmen in Beirut, Renter writes from Tehran, Meanwhile, Iran released Mr Jean-Yves Albertini, an Air France station manager in Iran, after n one yeor sentence for giving parties considered corrupt in the Islamic Republic, diplomatic officials said.

#### Sudan debt at \$20bn

Sudan's total foreign deht stands at more than \$20bn, rather than the \$9hn the rather than the Sunn the Government previously announced, Dr Mohammad Ahu Hurelra, Commerce Minister, revealed yesterday, Rami Khourt reports from Amman. The Minister told a news conference that Sudan's experts. ference that Sudan's exports could only cover about 30 per cent of his total financial needs The insurgency has claimed hundreds of lives since Mrs Aquino was installed in power in February,

# From Burtons to Brands Hatch

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And a great deal in between

## House approves Reagan aid plan for Contras

yesterday was basking in one gence Agency involvement in of his higgest congressional the mining of Nicaraguan foreign policy victories after barbours. yesterday was basking in one of his higgest congressional foreign policy victories after the Democrat-controlled House of Representatives finally approved his \$100m aid plan, including military assistance, for Nicaragua's Contra rebels.

The President relations The President, relaxing at his California ranch after a strennous lobbying campaign, sald that the vote "represents a step forward in bipartisan consensus in American foreign

Of the Contras, he said: "Their cause is our cause.

The cause is freedom; the cause is just, the cause will triumph."

Largely as e result of Mr Reagan's efforts, the House on Wednesday night reversed an Wednesday night reversed an earlier 222 to 210 vote against earlier 222 to 210 vote against a similar aid plan in March, and accepted the latest Administration proposal by 221 to 209, a sid and \$30m in burnantiary and accepted the latest Administration proposal by 221 to 209, a sid and \$30m in burnantiary and accepted the control of t

Mr Reagan had not voted in The House defeated various Nicaragua would be lifted.

The House defeated various Nicaragua would be lifted.

The plan also provides for \$300m in additional economic aid or confined the plan to bumanitarian assistance. One defeated Democrat said that Rica, Guatemala and Honduras.

The reconstruction of the Curtary and the Contract of the Curtary and the Curtary an

PRESIDENT Ronald Reagan of disclosures of Central Intelli-

The plan finally adopted now goes back to the Republic-led Senete, which bas already adopted a similar proposal. But further Senete action, and subsequent negotiations between the two chambers, is complicated by the fact that the aid is attached as an amendment to a \$8.1bn epending bill for military construction military construction.

The plan would provide \$40m in aid to the Contras, including military funds that would be available from September 1. A further \$20m would be provided on October 15, and a final instal-ment of \$40m on February 15

wider margin than expected.
Six Democrats, mainly from
Southern states, switched sides, as did four Republicans. A the Contras until the final instalfifth Republican who rallied to tions on covert action by US intelligence egencies against

House members were appar The presentation of the Contra ently now "tired" of the pro- aid as part of an overall develently now "tired" of the pro-longed debate on the issue. The opment package for tha region Contras first hecame a major was one factor that allowed issue in Washington in 1984, some members to change their when Congress cut off military votes with a reasonably, cleer aid to the rebels in the wake

### Ortega warns of invasion

BY PETER FORD IN MANAGUA

MR DANIEL ORTEGA, Nicar-agua's Presideot, warned on provoke the downfall of the Wednesday that the new mili-revolution," and their failure tary aid for the Contra rehels marks another step towards a US invasion and told his countrymen to "improve their battle readiness."

The Sandinista leader also predicted that the US House of Representatives vote would mean "more difficulties on the economic level, more shortages, more sacrifices" for Nicaraguans already hard pressed by

severe economic crisis.

Likening President Ronald
Reagan to "a new Hitler," Mr
Ortega ran through a familiar litany of complaints against Washington. The vote confirmed the United States' "terrorist the United States' "terrorist policy" towards Managua, be said, and showed "cynical" disregard for central American peace negotiations sponsored by the Contadora Group.
Congress's action, Orlega pre-

into a new military escala- Court ruling on Nicaragua's tion . . . leading lo lhe inter- complaints against "US aggresvention of US troops themselves in our country." sion" for proof of internstional rejection of Washington's Nica-The Contra rebels alone, be raguan policy.

could prompt direct US action. Mr Ortega also has harsh words for the congressional hill offer of \$300m in economic aid for Nicaragua's Central Amerifor Micaragua's Central American neighbours. This move, be alleged, was designed to "buy those governments so as to involve them in (Washington's) terrorist policy of aggression against Nicaragua."

Washington's pressure on Its Central American allies and its represented "a very serious blow" to the Contadora Group's efforts to reach a negotiated settlement of the region's turmoil, Mr Ortega argued.

The Nicaraguan leader also reiterated his government's refusal to negotiate with Contra leaders, while saying be was still Congress's action, Orlega pre-dicted, "could translate in time US. He looked to Friday's World

north-eastern Arizona, one of the remotest corners of the US, small bands of Navajo Indians are gathering for a last stand against the federal Govarnment.

against the federal Govarnment.
Ten days from now, when
most of the rest of the country
will be celebrating the 100th
anmiversary of the Statute of
Liberty, time will officially run
out for tha Navajo "resisters,"
who are fighting to keep their
bomes and their traditional way
of life. They are up against
what has been described as the
biggest forced resettlemeot of
any racial group in the US since any racial group in the US since the internment of 120,000 Japanese Americans during the

econd World War.
The July 6 deedline for the programme's completion was originally meant to mark the end of a century-old land dispute exacerbated by years of legal wrangling in the courts and political dithering and ineptitude in Washington. But the latest attempt to impose a final solution, by uprooting 12,000 to 15,000 traditional Indians from their bomes, has

now caused a growing national and international outcry. Opponents of the programme have gone so far as to compare it to the racist policies of tha South African Government, or even Nazi Germany. At the very least, it has raised major ques-tions over the federal Govern-ment's understanding of Indian problems, and over whether or not it believes that, as "trustee" of the Indians territories, it can impose policies that it would never inflict on

whites. The origin of the dispute, which many Indians say was created more by Washington than by themselves, goes back to well before 1882, the year in which President Chester Arthur

sowed the seeds of today's confusion. He established a recervation for the Hopi tribe "and such other Indians as the Secretary of the Interior may see fit to settle thereon" in the rectangular area shown on the The Federal Relocation Communication in Flagstes the moder's

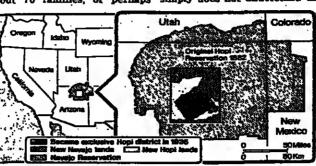
Over the years, the Navajo Indians, much more numeroue than the Hopis, were driven westwards, largely by white migration and Government meddling with their own reserreaction's eastern boundaries. The nomadic Navajos increasingly surrounded the village-dwelling Hopis, occupying most of the 1882 reservation outside the cantral Hopi area.

To cut a very long story short, Washington concluded in 1974 that competing claims by the two tribes made it impos-sible for them to share use of the land. In a judgment of Solomon, Congress decided to cut the disputed land in balf, giving each tribe 900,000 scres. July 6 1986 was the deadline for " relocation." for "relocation."
Since then, the Navajos living

on land assigned to the Hopis beve found themselves quite literally "on the wrong sida of tha fence." A barbed-wire tha fence." A barbed-wire barrier, marked by frequantly stolen yellow signs saying "Property of the Federal Government," has been erected almost all the way along the dividing line.

returned, but the episode raised fears of violence as the deadline approaches. With the desolate, waterless plateau sweltering in the bottest weather of the year, tension is high.

The Federal Relocation Commission in Flagstaff, the region's largest town, says that Navajos have flocked to its doors for resettlement incentives and that the "resisters" number of the resisters." The resisters is many the resisters in the region's like her are severed for the resisters. The resisters is many the resisters that the white many forces approaches. With the desolate, marshals, Mrs Mae Tso, a 48-year-old mother of eight who allegedly assaulting a detachment of police, says that, if in the properties of the resisters in the region's largest out by federal dragged out by federal marshals, Mrs Mae Tso, a 48-year-old mother of eight who allegedly assaulting a detachment of police, says that, if in the properties of the resisters in the resistence of the resistance o resettlement incentives and that the "resisters" number only about 70 families, or perhaps simply does not understand the



Reginald Dale visits northern Arizona to report on a century-old dispute on an Indian reservation

300 people. Mr Lee Phillips, a Indian's spiritual attachment to lawyer who has taken up the the land and the way of life it lawyer who has taken np the Indisns' cause, believes that this is on the low side, because many people who originally applied for relocation did not understand what it meant (The Government offers a new house, worth \$55,000 to \$66,000, and, to earlier applicants, a cash

almost all the way along the dividing line.

It is still not complete because in the areas of strongest resistance the Navajos come out by night to uproot the green metal fence poles, particularly when they are implanted on land of religious or ancestral significance.

One such incident last week led to a scuffle in which a group of Navajos relieved two policemen of their guns. The weapons were subsequently beautiful to the Commission, 4,100 families applied for benefits, of which 2,600 were found eligible. Of these, 1,000 families have been relocated, and 1,300 are no longer living on the Hopl side of the fence—many of them "in limbo" in conditions of great hardship. Some 300 Navajo families are still on land that is ebout to come under Hopi jurisdiction.

The hard core of resisters say that nothing will induce

lips is about to file e First Amendment lawsuit claiming that relocation is an unconstitutional interference with the Nevajos' religious freedom.

The Government, however, is ing Navajos even more desperate by impounding up to 90 per cent of the livestock on which they depend for a living, in the name of range conservation, and imposing an effective freeze on any kind of construction in the disputed area— whether it be road repairs, the building of a but or the replacement of a broken window.

New lands have been made available for the "relocatees" on the edge of the Navajo

reservetion, which the Govern-ment says are in fact more desirable. But the resisters say they are no substitute for the ancentral sites. More than half those who have so far been re-located have exercised their right to move off the reservation into urban areas, where many have fallen victim to loan sharks, alcoholism, family breakups, and destitution—common phenomena when Indians try to adapt to the whita man's world. rights are inextricably inter-twined in the Hopi-Nevajo area, which sits on an estimated 19bn tonnes of coal, plus lesser quantities or uranium, natural gas, and oil. It already contains the world's largest strip mine, run by the Peabody Coal Com-

Critics contend that one aim behind partition and relocation, which is enthusiastically supported by the state's veteran Republican senator, Mr Barry Goldwater, is to provide the mining companies with single authorities on either side of the fence with whom to negotiate advantageous new mining con-

Precisely how Indian nations reach such decisions is another major issue raised by the relocation programme, Many relocation programme, Many Navajos and Hopis reject tha authority of their official Tribal Councils, set up at Washington's instigation in the 1920s and 1930s, as federal puppets unduly influenced by unscrupulous white lawyers serving the mining companies' interests.

Relocation proponents, on the other hand, say that it is high time that the Indians that tha romantic concept of that tha romantic concept of the noble savage is nonsense.

The idea that the Indians are chase her away."

Navajos muster for a last stand on land iffe, communing with nature, is absurd," says Mr David Shaw. Serdar of the Relocation Commission. "What are those

Serdar of the Relocation Commission. "What are those pick-up trucks doing out there?" he asks.

Mr Shaw-Serdar insists that the programme will work its way through successfully in the end, even if the July deadline will not be met. It should cost a total of \$230m by the end of September 1988, he says. Opponents say that the expense

Opponents say that the expense to the taxpayer, if indirect costs are taken into account, could be more than \$1bn for an operation that will never work. With last-minnte moves underway in Congress to postpone the deadline and rethink the whole operation, the Reagan Administration is working hard to allay anxieties. On a lightning visit to Flagstaff this week, Mr Ross Swimmer, the head of the Bureau of Indian Affairs, dismissed the deadline as nnimportant, and suggested that there could be some kind of extension for the most deterof extension for the most deter-mined resisters,

Neither side wants in see an outbreak of violence. But the resisters say that they will have to be starved out or dragged from the land. However it ends, the critics believe that the dispute should now spur e compre-hensive review of Indian law and Gavernmant policies. The Indians' supporters tell a

parable to illustrate their view of Washington's attitude over the years: A certain rich man was enjoying a hanquet, it says. be could see an old woman, half-starved and weeping. His heart was touched with pity. He called a servant to him and said:
"That old woman out there is breaking my heart. Go out and

#### **World Court to** rule today on Nicaragua case

THE World Court today may declare President Ronald Reagan's support for Nicaraguan Contra rebels Illegal, just after his victory in securing congressional approval for more military aid, Renter reports from The Hague.

The verdict will end a twoyear case brought by Nicaragua claiming the US broke international law by using a rebel army in an effort to topple the left-wing SandinIsta government The Reagan Administration withdrew from the case and renounced the court's jurisdiction last year, charging Nicara-gua with using it as a propo-ganda slage. The US bas said it will ignore any ruling against

Diplomats said a judgment critical of the US, which is expected both in Nicaragua and Washington, could be an embarrassment to the President and would certainly be greeted as a triumph by Managua.

It is defined as a described the New critical in the Managua and the New described the New critical in the Managua and the New described the New critical in the New described the New critical in the New described the New critical in the New critica triumph by Managua.

#### **Mexicans to meet IMF**

BY STEWART FLEMING IN WASHINGTON

search for solutions to the Mexican debt crisis.

Mr Petricloli is scheduled to meet Mr Paul Volcker, the Federal Reserve Board chair-man, and US Treasury Secre-tary. Mr James Baker, as well as Mr Jacques de Larosiere, managing director of the IMF. The meetings take place against a background of mounting unease in the United States about relations with Its southern neighbour. The New York Times reported yesterday from California, where President Reagan is on a sbort boli-day, that the President was

A DELEGATION of top Mexical York Times story as inaccurate, can officials beaded by the although some officials in recently-apointed Finance Minis- Washington felt that It was certain. recently-apointed Finance Minister, Mr Gustavo Petricioli, is due to hold meetings in Washington felt that it was certainly plausible. US-Mexican relations are clouded not only ington today with senior US and International Monetary also by attacks in Congress, led by Senator Jesse Helms, on the Mayiran political system and its also by attacks in Congress, led by Senator Jesse Helms, on the Mexican political system and its toleration of corruption and drug trafficking.

• The House of Representa-tives' Subcommittee on Asian Affairs yesterday approved an extra \$250m in aid for the Philippines despite concerns that it would exceed budget constraints. The authorisation bill was

approved by seven to three, An urgent supplemental appropriation bill was pending final approval in the Senate before being sent to President Ronald Reagan.
The Senate bill already includes \$150m in extra aid for

the Philippines proposed earlier this year by the Reagan A White House official is already approved for the counsaid to have described the New try.

#### **World Bank** \$500m loan for Brazil

By Our Washington Staff THE Werld Bank yesterday approved a \$500m (£329.5m) economic adjustment loan to Brazil after the US had dropped its earlier apposition to the deal. The loan is to support agricultural reforms and finance imports of food and fertilisers.

In the face of opposition from farm interests on Capitol Hill, the Rongin Administration seemed likely earlier this week to oppose the deal as it had earlier this month when the World Bank voted to oppose a \$500m loan for Brazil's electrical power sec-

The US position found little backing in the World Bank's boardroom, however. Some officials argued that it was partly the Administration's failure to communicate the which helped stir up opposi-tion on Capitel Hill.

#### Move to curb credit boom BY IVO DAWNAY IN RIO DE JANEIRO

ing the savings industry.
Mr Dilson Funaro, the Finance Minister, is also expected to create a new national savings account, offering interest of 10 per cent a year substantially higher than those currently available.

The Brazilian consumer spending boom stems directly from the Crusado Plan, the radi-

cal anti-inflationary measures taken in February, which deindexed the economy, froze prices and created a new currency, the crusado, with a fixed dollar exchange rate.

The stabilisation programme triggered a dramatic escalation savings accounts. Demand for week but only credit from shops and credit announced yesterday.

**WORLD TRADE NEWS** 

THE Brazilian Government was card agencies, increased by 80 yesterday preparing new per cent in April even before measures to restrict the boom bank loss are taken into in consumer spending by account. Funds held in savings reining in consumer credit. The move, principally aimed fallen by 15 per cent since the at sectors such as cars and de-indexation plan was introwhite goods where supplies are duced, though the Government short, comes as part of Brazil's now claims that these are recovlong the cavings indestruction.

Mr Funaro intends to try to stem the flow of credit by 30-40 per cent over the next three months. Measures expected include a ban on the use of credit cards for the purchase of petrol or alcohol, widely used in Arrell at our field. in Brazil as car fuel.

The increase in consumption has led to serious shortages and waiting lists for some goods, mainly durables and clothes. This has fuelled fears that the economy is storing up insupportable inflationary pressures. Brazil and Cuba are to triggered a dramatic escalation resume, diplomatic relations in spending as consumers withdrew deposits from short-term accord was signed in Paris last

#### **BASF Aktiengesellschaft Notification of Dividend**

BASF'86

The Annual General meeting held on 26th June 1986 confirmed a dividend in respect of the year ended 31st December 1985 of DM 10 per share of nominal value DM 50 existing prior to the capital increase of September 1985, and a dividend of DM 5 per new share of nominal value DM 50 arising out of the capital increase.

The dividend will be paid on or after 27th June 1986 net of 25% withholding tax against submission of dividend coupon No. 4 or 1/2 of 4 as appropriate at one of the paying agents listed in issue No. 114, dated 27th June 1986,

of the German Federal Gazette. the "Bundesanzeiger". In accordance with the Double Taxation Agreement of 26th November 1964, as amended on 23rd March 1970, between the United Kingdom and the Federal Republic of Germany, withholding tax in respect of shareholders resident in the United Kingdom is reduced from 25% to 15%. To claim this reduction, shareholders must, before

31st December 1990, submit an

application for reimbursement

to the Bundesamt für Finanzen,

D-5300 Bonn-Bad Godesberg.

Koblenzer Straße 63-65,

In the United Kingdom the dividend payment, which is free of charge, will be made in Pounds Sterling with conversion from Deutschmarks at the rate prevailing on the day of submission of the dividend coupon and will take place through the London offices of the following banks:

S. G. Warburg & Co. Ltd., 33 King William Street, London EC4R 9AS. Morgan Grenfell & Co. Limited, 23 Great Winchester Street. London EC2P 2AX.

The Board of Executive Directors BASF Aktiengesellschaft

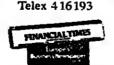
D-6700 Ludwigshafen/Rhine, June 27th, 1986

BASF



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Gloom grows among Japan's chip makers over row with US BY CARLA RAPOPORT IN TOKYO

makers and purchasers are increasingly gloomy about the prospects of a constructive end

to the long-running US-Japan semiconductor talks. US and Japanese negotiators are hoping for a settlement of the issue to be reached either today or Monday—a suspension of the US anti-dumping case on 256K D-rams must be initialled by then to be effective.

Japanese companies, however, fear the agreement will be at best another "agreement to agree," like the one between Dr Clayton Yeutter, US Trade Representative, and Mr Michio Waranabe, Minister of International Trade and Industry (Miti) perlier this month. At (Miti) eerlier this month. At worst, they fear their negotiators will accept a "bumiliating defeat" for Japanese com-

The two sides have been debeting tha lessue of market access by the US chip-makers in Japan and alleged dumping of Japanese chips in the US.

in Japan and alleged of Japanese chips in the US.

Currently, it appears that the Americans will be willing to drop their anti-dumping suits against the Japanese on two kinds of chips in return for a suspends the anti-dumping suits, it should get some kind of guarantee from Japan on market access and pricing."

But some Japanese chip makers are now saying they would rather have the dump-ing suits than the agreement which their negotiators appear

which their negotiators appear set to accept.

"This price monitoring system is proposed for 28 ltems, and is supposed to last for fiva years. I think we would be prepared to suffer the anti-dumping suits," said one leading electronics executive. The proposed US anti-dumping suits are for 256K d-rams and eprom chips.

If the dispute is not settled, however, the Japanese fear that the anti-dumping duties may be punitively high. "We feel this negotiation is bumiliating ns."

negotiation is bumiliating ns," said another executive.

An official with Miti said yesterday: "We hope to get a framework settled by the end

of this week.

"However, a major issue of debate remains that the US wants a guarantee of increased market access. We are in no position to guarantee a share in

#### Thais call new bus bids

THE BANGKOK Mass Transit Authority (BMTA) has invited lease 1,000 buses to BM new bids on a contract to lease 1,200 buses, Reuter reports.

The state enterprise decided last Friday lo reverse its award because it presented the

Motor & Lessing offered to lease 1,000 buses to BMTA for

The state enterprise decided last Friday lo reverse its award of the seven-year contract to Molor & Leasing Company of Singapore after the Thai Britain's Leyland Vehicles won Cabinet expressed reservations about the lack of public later rejected its bid as too expensive.

## Israelis search for partner to share Lavi aircraft costs

BY ANDREW WHITLEY IN TEL AVIV

US for export to third countries bas taken on an increasingly desperate note in recent months, as pressure has mounted from the Pentagon for the cancellation of the aircraft. Discussions with US companies have already taken Israel Aircraft Industries, the main contractor, to

Northrop and McDonnell Douglas, with no avail. Efforts are now be-lieved to be concentrated on Grunsite-material wings and tail sec-

ISRAEL is urgently seeking a co-production agreement with a major to Israel's Ministry of Defence, said US aerospace manufacture to im an interview that the US partner build the Lavi, an advanced multi-would be made responsible for all role aircraft. Sharing the \$2.2bn de Lavi-related work in the US. Apart velopment and pre-production costs from built-up aircraft turned out on is regarded as the best hope of saving the threatened project.

The could also handle the manufacing the threatened project.

The search for an American partiture of major sub-assemblies for mer who would build the Levi in the US defence companies have been

> opment work on the Lavi, by value and expect to see this share rise to half during the production phase due to commence in 1987. Martin Baker of the UK is to provide the aircraft's ejector seats. The first prototype for the Lavi is

awarded about a third of the devel-

due to fly this September, in time to allow the aircraft to come into service material wings and tail sec-1990, as planned

#### Alsthom subsidiary wins US cruise ships order

BY PAUL BETTS IN PARIS

the new government decided to halt subsidies.

Alsthom also announced yests subsidies.

Alsthom also announced yests with the Translate group.

BY PAUL BEITS IN PARIS
THE SHIPBUILDING subsidiary of the French Alsthom engineering group, Chantiers de l'Atlantique, has won a \$300m order for the construction of two passenger cruise ships from the Los Angeles-based Sitmar Cruises company.

The deal, after long negotiations, for the second ship without having the pay commensation. ships from the Los Angeles-based Sitmar Cruises company.

The deal, after long negotiations, is crucial for the Alsthom subsidiary, itself controlled by the nationalised CGE group, at a time of directly difficulties in the French shipbuilding sector.

The French Normed shipbuilding group, the other large shipbuilding sconcern with Alsthom's subsidiary, has just filed for bankruptcy after

Cruise-Line group.
Alsthom also anno

nt with the Turkish energ



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the title of Financial Consultant,

believing that stockbrokers were

a thing of the past. For four years,

we have been building an orga-

nization that could deliver on the

promise that financial consultan-

Consultant training program that

We created the Financial

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is the envy of Wall Street. Our concept of financial consultancy is now being widely imitated. But the copies are four years behind the original.

cy makes.

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sisting more companies in restructuring their debt than any other firm.

We have used our own capital to give our BROTHERS Mergers & Acquisitions clients unprecedented An American Express company certainty and speed in facilitating transactions.

For the World Bank, we conceived a scheme so innovative it was financed on three continents.

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Money Market Preferred™ stock and notes. Then we created an equally innovative way to effectively trade them as well.

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We are the general partner for more real-estate investments than any other firm.

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any other firm, bar none. A stunning résumé made even more impressive by the fact that it has all been done in such a short period of time.

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And today, following that vision, we are the only financial firm that incorporates under a powerful capital base the breadth in distribution, depth in trading, and traditional banking expertise. A three-legged stool upon

> which no one else can stand. History has shown that every great organization has its time.

This is ours.

Minds Over Moncy.

LEHMAN

THE CONTINUED stagnation in oil three mooths to the end of May, the prices exacted a heavy toll on Britain's visible trade balance in May. Figures released yesterday by the Department of Trade and Industry show a provisional deficit of £666m for the month after a revised delicit of £265m in April.

Overall, the current account of the balance of payments for May recorded a surplus of just £34m, reflecting a contribution on invisibles totalling £700m.

Exports of manufactured goods regarded as the key indicator of trading performance - reached a value of £5.29bn last month. Imports, meanwhile, came to £6.17bn, giving a deficit of £876m against April's deficit of £530m.

For the first five mooths of the year, there has been a current ac-count surplus of £1bn, helped by a massive £1.1bn margin in January. The Treasury has forecast a surplus of £3.5bn for the year as n whole, and if the target is to be met, returns for the remaining seven months will have to improve sharp-

We see no reason at the moment to change our forecast," one Treasury official said yesterday. In the

current account showed a deficit of E200m, compared with a surplus with a surplus of CI.7bn in the previous three months. March was a particularly had month, showing a shortfall of £714m.

There was a deficit on visible trade in the three months to May of £2.1bn against a £200m deficit for the three months to Fehruary. The surplus on invisible trade for the March-May period is projected at £1.9bn - unchanged from the previous three months.

The May surplus on invisibles of £700m - the same as for April - is made up of a larger surplus on the transactions of the private sector and a smaller deficit on governmeot husiness.

Visible exports, including oil, fell in May to £5.87bn from £6.04bn io April, while imports dropped from £6.54bn to £6.3bo. Trade in oil fell in volume terms fell somewhat in May, but the decline in price was the main reason for the surplus of just \$212m - far the lowest this year. The average value per tonne of UK oil from the North Sea was just £62.60, compared with £138.60

#### Spending power rises 1.2% in first quarter

BY GEORGE GRAHAM

BRITISH consumers' spending per cent of their disposable incomes power rose by 1.2 per cent in the first quarter, the CSO said, first quarter to stand 3% per cent much the same savings ratio as in higher than a year earlier, the Central Statistical Office (CSO) said per cent lower than in the first

yesterday. Wages and salaries rose by 8% the effect of the coal strike, while higher than a year earlier.

Total personal incomes amounted 1985 to £79.6bn in the first quarter, with 56 per cent of this accounted for by higher in the quarter than a year wages and salaries. Other personal income, including profits and diviquarter, a rise of 8.8 per cent from the same period a year earlier. The The CSO said that company prof. rise in self-employment is believed its fell in the first quarter of 1986 as to have contributed to this growth.

People saved an average of 11.7 companies in the North Sea sector.

quarter of 1985. Consumers continued to expand per cent from the previous year, or their borrowing. New figures from 8 per cent if allowance is made for the Finance Houses Association show that new consumer lending in UK income taxes stood 111/2 per cent the first quarter was 19 per ceot higher than in the same period of

the three previous quarters but 8

Retail credit was 22 per cent earlier, while new car finance rose by 24 per cent. Personal loans maindends, stood at £16bn in the first tained a steady growth rate of 14

BANK OF ENGLAND GIVES WARNING ON INTEREST RATES

## Employers criticised for high pay deals

BY GEORGE GRAHAM

UK INTEREST rates may have to be kept high to keep up the pressure for smaller wage settlements in response to lower inflatioo, the Bank of England said yesterday.

The Bank repeated its warning that Britain's unit labour costs were rising faster than those of its competitors, even the more inflation prone such as Italy. It criticised employers for not resisting claims for higher wage settlements. Wheo manufacturers' input

prices and interest rates have been falling, and the exchange rate bas been relatively stable, the UK's

BY BARRY RILEY, FINANCIAL EDITOR

tional Financial Futures Exchange

stantial increase in its trading ca-

pacity. It has also promised mem-

New software and facilities are

ntended to give Liffe the capacity

to handle theoretically 10 times its

current volume, which averaged

26,500 lots a day in the five mooths from January to May 1986. At pres-

ent, capacity is only about twice

this and it can be tested on peak

days. The record trading volume of

48,113 contracts was achieved on May 13.

Liffe is aiming to bave the new

the Big Bang changes in the securi-ties market on October 27.

of Liffe, said vesterday that trading

in the long-gilt contract was already growing fast. He expected a dra-

matic improvement in the short-gilt contract when new Bank of Eng-

land regulations were applied to trading by the 28 authorised gilt-

edged market makers after the Big

He suggested that the "Footsie"

equity contract based on the FT-SE

100 Index would be more actively

traded in the new conditions, with hig changes also taking place in the

equity market making system. So far, the Footsie cootract has been

Liffe is planning to introduce a yen bond futures contract before

4818 \$106 \$397 4833 \$118 \$417 4878 \$144 \$529 4903 \$5185 \$560 4911 \$197 \$585 4927 \$225 \$688 4927 \$225 \$682 5026 \$275 \$662 5030 \$291 \$702

37.73 4038 37.79 4049 37.85 4056 37.87 4058 37.87 4058 38.87 4073 38.97 4073 38.97 4073 38.97 4100 38.95 4103 38.95 4103 38.95 4103 38.95 4103 38.95 4103 38.95 4103 38.95 4103 38.95 4103 38.95 4103 38.95 4103 38.95 4103 38.95 4103 38.95 4103 38.95 4103 38.95 4103 38.95 4103 38.95 4103 39.95 4206 39.95 4219 39.95 4219 39.95 4219 39.95 4219 39.95 4215 39.98 4206 39.95 4219 39.95

disappointing.

NOTICE OF REDEMPTION

To the Holders of

General Mills, Inc.

U.S. \$100,000,000 12% Notes, Series A, due December 19, 1991

NOTICE IS HEREBY GIVEN to the bolders of the outstanding 12% Notes, Series A, due December 19, 1991 (the "Notes") of General Mills, Inc. (the "Company") that, pursuant to the provisions of Section 7(a) of the Series A Fiscal and Paying Agency Agreement dated as of December 19, 1984 between the Company and Morgan Guaranty Trust Company of New York (the "Fiscal Agent") and Paying apply 4(a) of the Terms and Conditions of the Notes, the Company has elected to redeem on July 15, 1986 U.S. \$10,110,000 principal amount of the Notes (the "Redemption Notes") at a redemption orice equal to 101% of the principal amount thereof, together with accrued interest to said date, in the amount of U.S. \$346.67 for each U.S. \$5,000 principal amount and U.S. \$693.33 for each U.S. \$10,000 principal amount as follows:

OUTSTANDING NOTES OF \$5,000 EACH BEARING THE FOLLOWING DISTINCTIVE NUMBERS:

OUTSTANDING NOTES OF \$10,000 EACH BEARING THE FOLLOWING DISTINCTIVE NUMBERS:

Payment will be made, subject to applicable laws and regulations, to U.S. dollars on and after July 15, 1986 upon presentation and surrender of the Redemption Notes with coupons due December 19, 1986 and subsequent coupons attached, failing which, the amount of missing unmatured interest coupons will be deducted from the sum due for payment and paid in the manner set forth in the Terms and Conditions of the Notes against surrender of the related missing interest coupons within the period of time prescribed by the applicable statute of limitations, at the main offices of the Fiscal Agent in London. Brussels, Frankfurt am Main, Paris and Tokyo, the main office of Amsterdam-Rotterdam Bank N.V. in Amsterdam, the main office of Swiss Bank Corporation in Basle and the main office of Kredietbank S.A. Luxembourgeoles, in Luxembourge. Payments at said offices will be made by a United States dollar check drawn on a bank located in The City of New York, or by transfer to n dollar account maintained by the payce with a bank in London. No payment oo any Bearer Note will be made at the Corporate Trust Office of the Fiscal Agent or any other Paying Agency maintained by the Company in the United States not, except as otherwise permitted by U.S. Treasury Regulations without adverse tax consequences, will any payment be made by transfer to an account maintained by the payee in, or by mail to an address in, the United States

bers a cut in transaction fees.

(Liffe) is to spend £1.2m on a sub-

THE BOOMING Londoo Interna- the end of the year, making the ex

capacity in place within three ty was a "free" month, equivalent to months, in time to cope with a could be an announcement at the

Mr Brian Williamson, chairman at Liffe will be the formulation of

labour costs poses the most important threat to further progress in improving competitiveness," the Bank said.

Many industrialists saw their own wage settlements as satisfacto-volved keeping sterling strong by ry, because with materials' costs maintaining interest rates high in failing and domestic competitors' wages also rising, they had been able to pay the higher rates while still widening their margins, the Bank said in its latest quarterly bulletin, published yesterday.

change the first in the world to

trade simultaneously futures con

tracts on the three main govern-ment bond markets in the US, the

Mr Williamson said that costs of

Liffe members would be sharply cut

by new terms negotiated for com

munications and other equipment used on the trading floor. The terms

would allow a 50 per cent cut in the

cost of running a booth from July 1.

The prospect of a trading surplus

and of further growth in transac

tion volumes allowed the exchange

to consider a reduction in transact

tion charges, be said. One possibil

beginning of the fourth quarter.

Another important developmen

requirements for a new clearing

system. The exchange is consider-ing the possibility of putting the

Part of the clearing arrange-

ments are handled at present by

ICCH under an agreement which expires in September 1987. "Wa are not interested in doing all our own clearing," said Mr Williamson. "We

want outside expertise, including

He said that Liffe might consider

calling in American clearing houses, but ICCH would be invited

to tender. The guarantee provided

by ICCH's clearing bank sharehol-

ders was "a substantial asset" for

international experience.

clearing contract out to tender,

UK and Japan.

They see little prospect of in-creased sales if they alone resist pressure for higher wages," it said.
If employers failed to respond

quickly enough to lower inflation, id growth of the "broad" money suplower taxes, rising unemployment and pay developments abroad, the Bank said, then pressure would concern, the narrow money sup-have to be put on them, which in-

relation to other countries. With the short-term prospects for inflatioo good, but output growth appearing to have besitated and unemployment on the rise, policymakers were faced with some awkward

choices, the Bank said.

Many of the economic indicators which the Bank monitors are pointing in different directions. The rap-

be missed'

THE EUROPEAN Commission

may not meet its 1992 target date

for removing all obstacles to trade in foodstuffs and creating a

true common market, e House ni

Lords select committee says in a

The report concludes that, given the Community's record of sluggish decision-making, the sensitivity of the issues and the

reluctance of some member states to change their food stan-

dards, "the Commission may be over-optimistic in its timetable."

The committee welcomes the

plan for free trade in food in that

it will improve manufacturers' export openings and provide greater choice and more compet-itive prices for the public, How-

ever, it dwells on some of the possible obstacles which may

stall progress:

Problems could arise if Brit-

ain presses ahead and introduces

national legislation allowing food

to be preserved by irradiation. In view of the "highly emotive" na-ture of the subject, the report suggests the UK should wait an-

mon policy.

• Plans for stricter food labell-

ing oodes on a Community basis are vital, the committee says. But it is worried that the wording of the proposal "could allow for ma-jor derogations by individual member states which would be

contrary to the main objective of

A common approach nn the use of additives is necessary, the

report suggests. "It seems doubt-ful whether the Community will

"It seems likely that barriers to

trade arising out of national rules on additives will continue

to exist for the foreseeable fu-

ture."
The report also raises the issue of the UK's failure to complete

its metrication programme for foodstuffs. Calling for an imme-

diate government review, it says the incomplete barmonisation of

weights and measures could well

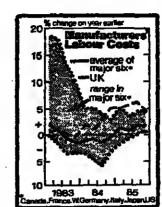
it says.

states, which would be

By Christopher Parkes

ply and accelerating house prices and unit labour costs give cause for concern, the "narrow" money supslowly than its broader cousin, and the resilience of the exchange rate are more reassuring.
The Bank concludes that, on bal-

ance, monetary conditions are not too loose. At current real interest rates, it believes, the liquidity that bas been built up will continue to be held. It gives a warning, however, that the build-up of liquidity could be reversed and dissipated into po-tentially inflationary channels.



#### Walker urges support Liffe plans big rise Free trade in food for nuclear energy in trading capacity target 'may

BY MAX WILKINSON, RESOURCES EDITOR

Energy Secretary, yesterday mounted a major defence of nuclear power, in terms far stronger than any used by a Western government since the disaster at Chernobyl two months ago. He committed the British Gov-

ernment to press forward with the development of nuclear power on a substantial scale and he urged other European nations to do the same. His speech suggested that Con-servative ministers bave all but de-

cided to authorise the building of a new pressurised water reactor (PWR) at Sizewell in eastern England. A final decision will depend, however, on the details of a longawaited report on a three-year public enquiry into the project.

In his speech to the Engineering Employers' Federation, Mr Walker offered an apocalyptic vision of a world without nuclear power. This was the first century in the history of mankind, he said when "a world crippled by a shortage of energy has become a possibility. He warned that the abandonment

of nuclear power would have a par-

MR PETER WALKER, Britain's ticularly serious impact on Third World countries, which would be forced to import high-priced fossil fuels to sustain economic growth.

He rejected the idea that renewable energy sources from the sun, wind, waves and the earth's hot core could supply the world's needs as oil gas and coal reserves start to run down. These sources - and conservation measures - all had a part to play, but nuclear power would still be needed to ensure the future prosperity of the world.

With a large proportion of the world's oil and gas reserves concen-trated in the Middle East and the Soviet Union, he said that any major switch from nuclear to fossil fuels would result in a rapid in-crease in prices and perhaps interruptions of supply.

If nuclear power were banned in Europe, as some bave urged, con-sumption of alternative fuels would have to be increased by the equivalent of about 3m barrels per day of oil, more than the whole of the UK's

#### **Industry set to move** in reverse, report says

BY MAURICE SAMUELSON

EUROPE'S NUCLEAR industry seems set to "go into reverse" even if public auxiety over the Chernobyl disaster subsides, according to a survey of the continent's electricity sector by Mr Andrew Holmes, a former information official at the Department of Energy who now edits the FT European Energy Report.

• It also suggests that the UK Government's recent initiative Noting that even before Cherno-byl, the nuclear industry other than on mandatory labels showing the fat content of foods might be in France was not buoyant, Mr Holmes claims that the industry challenged as a barrier to trade. To head off any trouble, the comworldwide will now enter a "period of introspection," such as that which followed the Three Mile Ismittee suggests the Government should discuss the possibility of a Community-wide nutritional la-belling scheme with the Commisland accident in 1979.

New safety requirements would be introduced further driving up the nuclear costs, threatening to make it economically unattractive "even if public anxiety over nuclear accidents dies down."

his whether the Comming win be able to agree on a framework directive within the proposed ti-mescale and secondary legisla-tion in the form of permitted lists... will take additional time," Some countries "not entirely hooked on nuclear," such as the Netherlands and Italy, might phase out nuclear altogether. Elsewhere, notably the UK, a halt to ordering would mean that nuclear genera-

tion woold start declining in the 1990s as older stations reached the year and its market share from 1.4 end of their useful lives.

called for. Chernobyl would also Carling Black label lager trade hasten the decommissioning of older stations, notably the gas-cooled, graphite-moderated Magnox reac-Rothmans of Pall Mall. tors in the UK.

pacity in Europe hy 2000

between European countries.

The French Government was aggressively seeking new export cus-tomers, aiming to double net for-eign sales by 1990.

Electricity in Europe, Present Status and Prospects for the 1990s, by Andrew Holmes; FTBL 102-108, Clerkenwell Road London, EC1M come key issues in the run-up to

## Votes for UK residents abroad

BY PETER RIDDELL, POLITICAL EDITOR

have the right to vote in parliaments of mentance of the constituency have the right to vote in parliamentary elections held after the new electoral register comes into Declaration forms will be availforce next February 16.

Regulations have now been approved by parliament implemen-ting the provisions of last year's Representation of the People Act which extended the franchise.

An absent vote will also be given to halosymakers in a particular to halosymakers in a particular to halosymakers in the property of the propert

weights and measures could well develop into an obstacle.
"The present situation must add complications," it claims. "In particular, it could increase costs for UK manufacturers if they have to produce packs of differ-ent sizes for different member crates." resident in the UK and registered Internal Market for Foodstuffs, 13th report of the House of Lords select committee, HL 166, HMSO, £9.10,

HOLIDAY MAKERS and certain names to be included on the elector-

able until July 11 and must be made before October 10. The first time a declaration is made it will have to be attested by a consular official.

An absent vote will also be given

British citizens who have been satisfied that the applicant's circumstances on the date of the poll as electors within the previous five years will have to make an annual declaration which will allow their to vote in person.

## Dealings in Westland prompt SE off-market ruling

THE STOCK exchange last night announced new guidelines on open market purchases of shares. The changes follow criticism earlier this year of share-dealing in Westland, the British helicopter manufacturer, Lionel Barber writes.

Westland was besieged by rival rescue plans put forward by a European aerospace consortium and Sikorsky, the US helicopter maker, and its partner Fiat of Italy. Both the Europeans and Sikorsky/Fiat effered premium prices for Westland shares, some of which were not available to small shareholders but only to large institutional bol-

The stock exchange wants to avoid the sort of "off-market" scramble for shares and ensure that hrokers acting for a buyer declares "the world at large" what price be is prepared to pay and bow many shares he is seeking.

In addition, the exchange wants to ensure that trading in shares is counducted within the market. In future, the minimum period during which an offer must stand will be reduced from ooe day to one hour.

In the battle for Westland shares, several brokers complained that the exchange's rules on open market purchases were too restrictive. They said that if they bought shares in the open market and a rival higher offer materialised, then they could not respond until the next day.

AMERADA HESS, the US oil company, has been granted a year's delay in starting a £375m North Sea development largely because of the

collapse in the price of oil.

The project is the Ivanhoe Rob Roy field where oil was due to flow in 1988. It is the first time that the Government has allowed a North Sea operator to postpone a big project on economic grounds after approving its development.

p0.357 4

CITROEN expects to raise its share of the UK new car market to 2 per cent next year - a level not reached since 1976 - with the help of a heavily-revised BX range of mid-sized cars launched simultaneously in France and Britain today. Citroen car sales in the UK rose from 24,502 in 1984 to 27,479 last per cent to 1.5 per cent.

This process would be hastened if | BASS, Britain's higgest brewer.

The two Carling brands have The exception was France, which on present trends would account for about half the installed nuclear ca
Black label is the hrand leader in the expanding UK lager market.

France's growing surplus of nu- GOVERNMENT plans to provide clear electricity was also a major a clearer framework for environ-factor in the rapid growth in the mental policy after privatisation of amount of electricity being traded the 10 regional water authorities in England and Wales has been welcomed by the Water Authorities Association.

The way that privatised water anthorities will manage non-profitmaking environmental matters,

Mr John Moore, Transport Secretary and former Treasury minister responsible for privatisation, says in an Aims of Industry pamphlet that the privatisation programme will continue until all state-owned commercial industries are returned to the private sector.

 ALLIED Dunbar Group, Britain's largest linked life company and now a member of BAT Industries, is joining the growing number of life companies offering house mort-gages direct to the public.

PRIVATE-sector finance has provided more than £500,000 to-wards an electricity-generating bar-rage across the River Mersey which could encourage substantial devel-opment and economic growth along the river between Liverpool and Warrington.

## Peugeot to enter minibus market

BY ARTHUR SMITH, MIDLANDS CORRESPONDENT

PEUGEOT TALBOT, the UK car muter-type service running through subsidiary of Peugeot of France, plans to break into the small bus market. Union leaders at the Stoke factory, Coveniry, were told yesterday that assembly will start early next year of 20-seater minibuses.

The company is aiming at an expanding sector just above the present 12 to 15-seater minibus market which it says is already dominated by Ford, General Motors's Bedford and BL's Freight Rover.

Peugeot maintains that it will be one of the first to offer the slightly higher capacity vehicles projected to be in demand by operators with the changes now taking place in the industry as part of the privatisation of the National Bus Company.

Mr Peter Snelling, light commercial vehicle manager, said last night: The market is wide open for companies able to provide a 20-seat-

housing areas." Mercedes, of West Germany, has

already achieved some success in the sector. Freight Rover has launched a 20-24 seater Sherpa

Peugeot sees the introduction of the new vehicle as a way to reduce the dependence of its Stoke factory upon the contract to supply car kits to Iran. The majority of the 650-strong labour force is involved in the Iran contract, which has been subject to numerous interruptions because of the continuing war with

Iraq.
Mr Snelling said only 25 people would be required initially on bus assembly. Output would start at around 200 vehicles a year but could climb to more than 500. "It could be more, but we don't want to raise expectations. The market appears to be large, but it has to be tested," he said.

Peugeot will also offer a parcel-the phasing-out of old models to carrying commercial vehicle which, make way for the launching in Feblike the bus, will be based on the ruary this year of the new 309 mod-Talbot Express, a compact van cur- el which has enjoyed success in the rently imported from a factory UK market.

Output of the 309 has been inin Italy.

irract, at 300-400 a week, is now running at a comparatively low level.

The deal, once hailed as the UK motor industry's biggest single export contract, until n few years ago involved the sale of 80,000 kits worth more than £100m. A slump in sales last year to 47,000 contributed to a pre-tax loss of £12.84m.

Tima in 10 years.

Ryton, where the capacity on a single shift is 1,250, could see double-shift working within the next 6ix months for the first time for more than a decade. The UK subsidiary is also confident its quality and productivity improvements should be sufficient to justify the

Peugeot regards the new venture entry. from 1,000 to 1,250 a week continued viability of the Stoke rehicles will be assembled to sercreased this month at Ryton, Covplant, where output on the Iran convice export markets for the first tract, at 300-400 a week, is now runtract, at 300-400 a week, is now runtract, at 300-400 a week, is now run-

Exports to Iran are expected to fall again this year to little more than 30,000, but Mr Geoffrey Whalton as already to production at Ryton late next should be sufficient to justify the en, managing director, has already forecast "modest profits."

Last year Peugeot had to finance in the fleet vehicle sector against the Sierra, Cavaliar and Montego.

DATED: June 13, 1986

the United States.

From and after July 15, 1986, the Redemption Notes will no longer be outstanding and interest thereon shall cease to accrue. U.S. \$25,690,000 principal amount of Notes will remain outstanding after the redemption.

It is suggested that each holder consult his own tax advisor concerning his particular tax situation.

Any payments made to an address in the United States, directly or by electronic transfer, may be subject to reporting to the United States loternal Revenue Service ("IRS") and to backup withholding of 20% of the gross proceeds if payees not recognized as exempt recipients fail to provide a Paying Agent with an executed IRS Form W-8 in the case of IO.S. persons or an executed IRS Form W-9 in the case of U.S. persons. Under the Interest and Dividend Tax Compliance Act of 1983, we may be required to withhold 20% of any gross payments made within the United States to certain holders who fail to provide to a Paying Agent listed above, and certify under penalities of perjury, a correct taxpayer identification number (employer identification number or social security number, as appropriate), or an exemption certification number on IRS Form W-9 and who fail to do so may also be subject to a penalty of \$50 imposed by the IRS. Please therefore provide the appropriate certification when presenting your securities for payment. GENERAL MILLS, INC.



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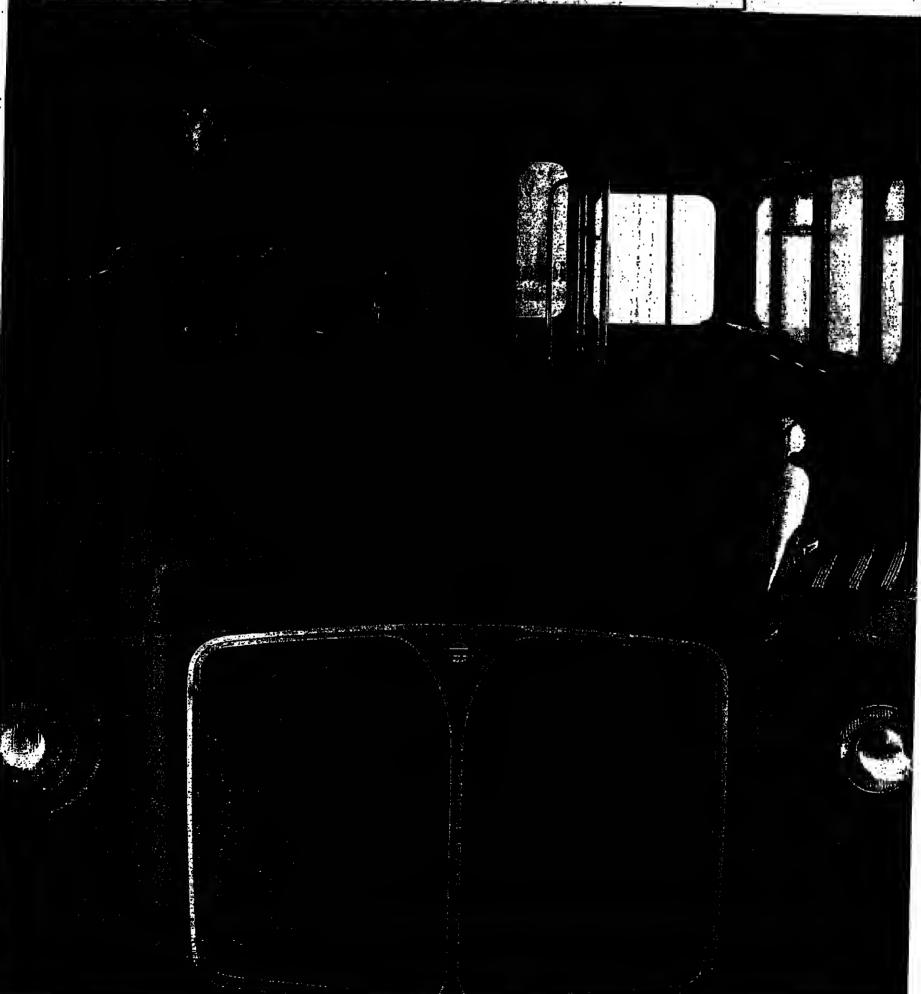
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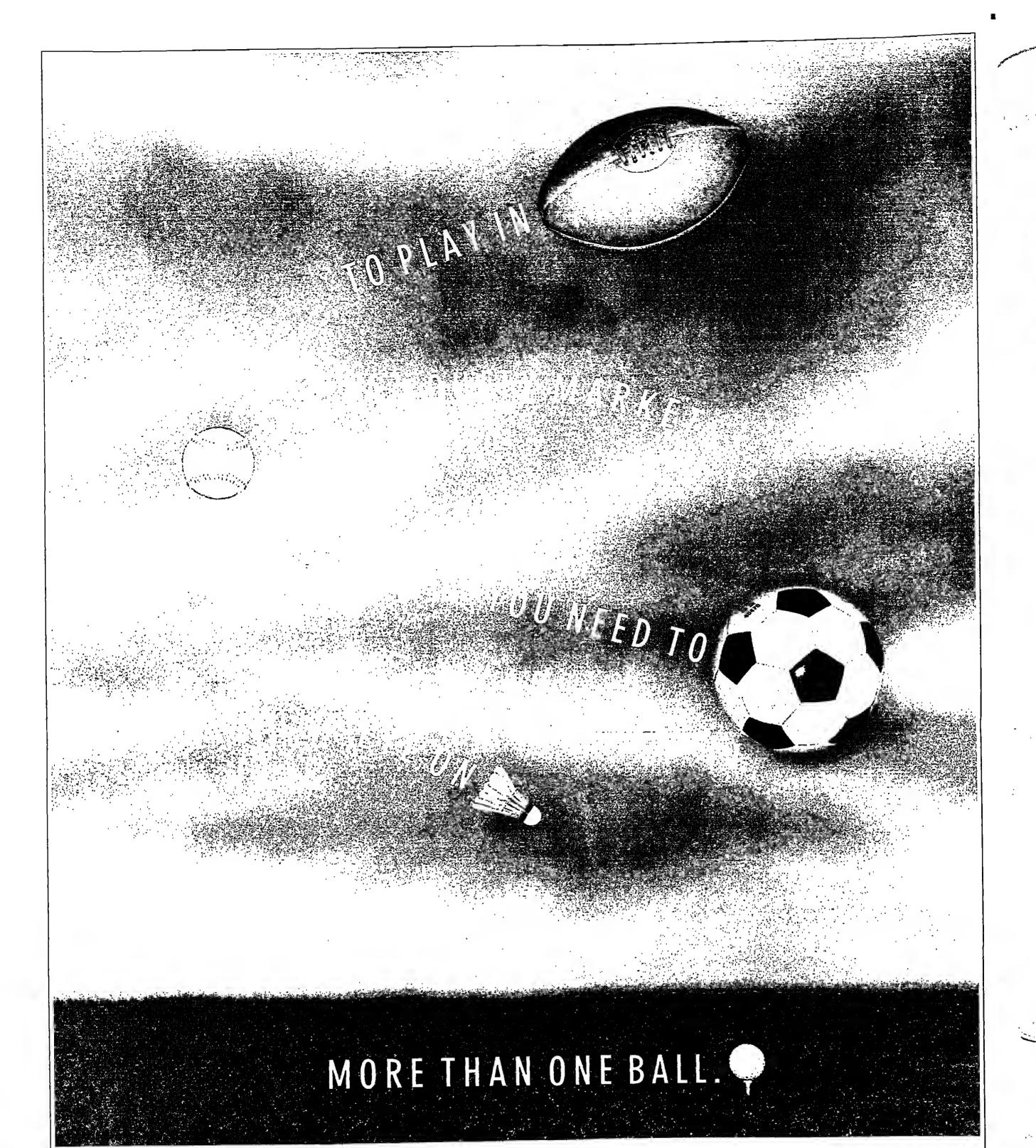
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To maximise the opportunities, investors need access to the best research, dealing and administration capabilities, and up-to-date information systems and technology.

The challenge for securities firms is to develop and organise their structure and services to meet the varied demands of the global investor: and perhaps even more importantly, to do so in a way which is easily understood and accessible.

This is precisely the thinking behind the creation of County Securities Limited, which incorporates the stock broking business of Fielding, Newson-Smith & Co and, when London Stock Exchange rules permit, will incorporate the market making business of County Bisgood Limited.

On the one hand, a global force with research, sales and dealing operations in all the world's key financial centres; with a huge investment in computer systems; and capab-

ilities extending beyond equities into warrants, options and convertibles.

But on the other hand, an organisation which will continue to be based on client relationships and on service. In short, we believe it's a structure which will help you to take advantage of any opportunity, anywhere in the world. It has to be.

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THE POTTED plants are blooming on the previously neglected terrace of the large and impersonal executive lounge on the top floor of the Peugeot headquarters in central Paris. There is also a prevailing mood of quiet confidence these days in the functional building of the French private car company which groups together the Peugeot, Taibot and Citroen

27 <sub>1986</sub>

STORAGE STORAGE

marques.
Peugeot, France's largest private enterprise, has just returned to the black amouncing consolidated net group earnings of FFr 543m (£61,2m) for 1985 after five consecutive years of losses totalling about FFr 8bn (£755m). Group sales have now risen over the psychological level of FFr 100bn. Jacques Calvet, the former banker brought in by the Peugeot family to help the car group recover, now expects profits to continue to rise this year. marques.

As a sign of its new confidence; the company is planning to buck the general industry trend by boosting its maximum production capacity. And this deposite its increasing alarm over French Government plans to bail out the troubled state-owned Renault group, Peugeot's main rival in the domestic market. Indeed, the private group has been claiming thet Renault is undercutting the market to regain market share

at Pengeot's expense.

"The die has now been cast. "The die has now been east. We are now pretty sure that the next three to four years will be good for Peugeot barring, of course, any unforeseeable calaminities," says Calvet, chairman of the group and the principal architect of its recovery. Peugeot's profits are expected to rise to between Ffr. 2hn. to rise to between FFr 2bn-FFr 3bn this year. At that level, company insiders suggest that the group will again distribute a dividend to shareholders for

the first time since 1981. But the recovery, and Peugeot's overall financial situareaged's overall maneral situa-tion, remains relatively weak, especially compared with the profitability of the French group's major international rivals like West Germany's Volkswagen and Italy's Flat and the hig Detroit magnifectures the big Detroit manufacturers in the US with major shares of

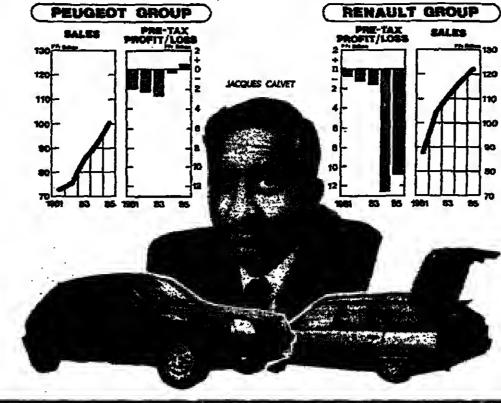
the European market.

Another sign that a new leaf has been turned at Peugest is the decision of Chrysler to take advantage of the recovery of Peugeot's share price and sell its 12.5 per cent stake in the French company. This move marks the final chapter in what has undoubtedly been the most difficult period in the history of the French car groun.

French motor industry

## Peugeot pulls out of the

Paul Betts reports on the family company's targets following its return to profits



first of Citroen and then of Chrysler's European operations. From the beginning, the saloon. The success of the 205 in the world rally champion-chrysler deal become a tale of of unending disasters for Peugeot. But the group has now finally completed the restructuring of the former Chrysler characteristics also now on the road to recovery and profitability.

The Chrysler operations in the Citroen BX medium sized the 205 in the 321 on the 321 on the world rally champion-ships has further helped change to winner.

Calvet describes the strategy of the group up to now as "a relatively basic industrial also been locing money heavily, is also now on the road to recovery and profitability.

The Chrysler operations of the 205 in the world rally champion-ships has further helped change to winner.

Calvet describes the strategy of the group up to now as "a relatively basic industrial operations of the control of the group in the world rally champion-ships has further helped change to winner.

Calvet describes the strategy of the group in the world rally champion-ships has further helped change to winner.

Calvet describes the strategy of the group in the world rally champion-ships has further helped change to winner.

recovery and profitability.

The Chrysler operations in France, Spain and the UK, renamed Talbot by the French group, have now been completely integrated in the Peugeot production system. The group has dropped the Talbot name in France and the large Poissy plant of Talbot outside Paris is now the main manufacturing facility of the Peugeot latest medium size saloon, the 309. At Ryton, near Coveniry, in the UK, the group produces the Peugeot 309 and kits for export to Iran. In Spain, Talbot Solaras and Horizons are still produced as well as the Peugeot 309 is also due to be assembled at the Madrid plant later this year.

Although the group says it is French company. This move marks the final chapter in what most of the group's former has undoubtedly been the most difficult period in the history of the French car group.

Most of Pengeot'e problems in the last years result from the group's expansionary policies of the 1970s with the acquisition

Although the group says it is the year in France "for his for Pengeot to have as fiesible seeking to automate production approach of the group's former explained that the group would to enable it to take advantage want to automate 100 per cent of changes in the pattern of car demand in different markets and "fine tune" its manage of changes in the pattern of car demand in different markets and "fine tune" its manage of car demand in different markets and "fine tune" its manage of car demand in different markets and car demand in different markets and captured that the group would of changes in the pattern of car demand in different markets and captured that the group would of the proposition.

All the more so as the group of all the more so as the group of all the more so as the group of a given in gome operations but not all model. Calvet is currently bank-of them. We believe some jobs in commercial successes of its increase Pengeot's production the French market from its rather than machines."

The group is also continuing

Calvet describes the strategy of the group up to now as "a relatively basic industrial policy." Even before he arrived, this strategy consisted of integrating and rationalising the various industrial operations of the group, improving productivity by substantial reductions in the group'a workforce, integrating disparate dealer networks, and reducing debt and financial charges by cutting financial charges by cutting general costs and strengthening the balance sheet by reducing short term debt and increasing

short term debt and increasing long and medium term debts. This has incinded a FFr 980m bond issue with warrants and a FFr 925m rights issue.

"Our priority was first to clean up the business. Now we face the even harder job of continuing to make progress from a reasonable level of efficiency," says Caivet. To this end, the Peugeot chairman—who was named "manager of the year in France" for his achievements at Peugeot—

cars in the next few years. Con-currently, Peugeot will cootinue with its efforts to reduce its with its efforts to reduce its production break-even point. This has been coming down steadily from a whopping 2.2m cars in 1980 (compared to the group's total production of 1.65m cars that year) to 1.8m cars last year. Calvet's target is a further fall to 1.4m cars this year and to 1.2m next year. The decision to increase production capacity contrasts with the strategies of other car groups which are seeking to

groups which are seeking to cut production. Calvet empha-sises that Paugeot has no in-tention of building new car-plants but plans instead to up-grade and adapt existing plant to squeeze more capacity out of it. Indeed, the company is con-tinuing to close old economically unviable plants in France.

"We have already drawn no

"We have already drawn np detailed plans to make improve-ments inside our plants and also to help our suppliers of parts and equipment make the necesto increase production if neces-sary," says Calvet. The idea is for Peugeot to have as flexible a production system as possible to enable it to take advantage of changes in the pattern of car demand in different markets Each plant can quickly switch

continued edvance in sales on a strong European market. Peugeot plans to introduce a major new car model each year, major new car model each year, alternating between Peugeot and Citroen marques. In the autumn Citroen will be launching a new mini called the AX. The group is also eyeing the US market where its efforts so far

to penetrate the American mar-ket for so-called European luxury imports have been disappointing.
To improve productivity,
Calvet says Peugeot will con-

tinue to try to reduce in the next few years its workforce by 3 to 4 per cent a year. Pengeot now employs 176,800 people—in 1983 the figure was 203,000.

The company is striving to introduce greater labour fieribility in its operations not only for blue collar workers but also for middle management, offerfor middle management, offering opportunities for part-time work, unpaid leave and incentives for managers to leave the company. The Pengeot division is accking to reduce management staff by 370, more than 10 per cent of the total.

In its plants, Pengeot is not seeking to automate production completely. "We do not want to automate 100 per cent like some of our competitors," says Calvert. "We adopt a Japanese approach of automating some operations but not all

to FFr 5.9bn and are expected are unjustified attacks and intelligence, as a basis for, inter alia, new product/customer service ideas.

\*\*It's the same old story, As soon as we start doing a bit better than them commercially of them. We believe some jobs group has at present no plans are smill better done by men to return to shareholders for return to shareholders for fresh capital, financial analysis their cool," remarks another fresh capital, financial analysis expect a new rights issue by Renault insider.

its production system while pre-serving the separate corporate identities of its Automobiles

Peugeot division and its Citroen subsidiary.
Caivet is categorically opposed to any major agreement or merger with another car group to rationalise production, but would he interested in specific and more modest ventures with other manufacturers. "We are not planning to do

"We are not planning to do anything spectacular but useful and profitable smaller things as we have already done in the past like the joint production of a small van with Fiat," explains Yves Rapilly, the group's financial director. Rapilly also said the group planned to go on developing a flerible financial strategy to reduce debt charges. Peugeot's reduce debt charges. Peugeot's debts are still large, totalling FFr 32.45bn at the end of last year, but it hopes soon (though probably not this year) to finance annual capital expenditure from internal cash flow.

Capital expenditures last year increased by 46 per cent to FFr 5.9bn and are expected

Peugeot in the not too distant

its turnround Despite that developments at its state-owoed French rival, Renault are making it nervous. The state car group is now struggling to recover after reporting a record loss of FFr 12.5bn in 1984 and another huge loss of FFr 10.9bn last year. Georges Besse, chairman of

group's businesses on its core car manufacturing opera-tions—a move which is slowly beginning to bear some fruit. Renault operating losses are beheved to have been cut to about FFr 500m a month so far this year compared with about FFr 1bn a month during the first half of last year. But Renault also urgently requires a major restructuring of its balance sheet and is seeking some FFr 15bn to FFr 20bn in support from the state, its sole share-

Calvet is opposed to the state bailing out Peugeot's main domestic competitor with FFr 15hn or more. He argues that ism of more. He argues that this would seriously distort competition and be grossly unfair to Prugeot, though he is not apposed to what he calls a "reasonable" level of state support for Renault.

Moreover, Calvet, who has voiced his concern directly to Edouard Balladur, the conservative finance and economy minister, is also worried by Renault's recent aggressive marketing strategy in France. Latest French car registration figures show that Renault, boosted by the launch of its new R-21 medium sized saloon, is improving. Indeed, Renault is improving. Indeed, Renault again overtook the Peugeot group in May with a \$2.5 per cent share of the domestic market compared to just under 30 per cent for Peugeot. At the end of last year Peugeot bad over 33 per cent of the French market while Renault was below 30 per cent.

But Renault, in turn, has been increasingly irritated by what it regards as a "guerrilla campaign" against the state group by its private rival. They are now financially healthy again and we are still in the dumps. We are doing all we can to recover," says a Renault official. echoing Renault official, echoing Renault management annoyance

at what the state group feels are unjustified attacks and innuendos by Peugeot over Renault marketing policies.

#### Management abstracts

Should Advertising Always be kept "Simple"? M. C. Macklin and others in Journal of Advertising (US), Vol 14 No 4 (8 pages),

Asserts that the view that Georges Besse, chairman of Renault has launched a sweeping restructuring programme aimed at recentring the state group's businesses on its makes no difference to recall, which is the state group's businesses on its makes no difference to recall, which is the state of the state group's businesses on its makes no difference to recall, which is the state of attitude or purchase intention.

> News versus Entertainment TV Viewers, T. A. Swartz and L. Meyer in Journal of Adver-tising Research (US), Dec, 1985-Jan, 1985 (8) peges).

Considering the influence of programme content on advertising, reports research eimed at finding whether viewers' use of, and attitudes to, television provides a basis for developing more effective advertising. Identifies three user segments: the largest is interested in being emertaiced, the smallest is interested in news/information, and the other is a mixture of both; draws broad conclusions about what this indicates about advertising

Export Market Research. S. T. Cavusgil in Business Horizons (USA), Nov/Dec 85 (7

pages). Points to the need for market research by companies intend-ing to enter foreign markets; surveys how a sample of com-panies used export market research, particularly to identify markets, assess sales potential, and identify distri-butors/agents. Describes an approach in analysing foreign market opportunities, mainly through desk research, and the through desk research, and the type of information to be gathered at each stage; defines information sources, and sug-gests some practical approaches to gathering information — including advertising, participation in trade fairs, and trade audits.

Using Focus Groups for Market Intelligence. E. H. Fram In Business Marketing (USA), Dec 85 (2 pages).

Describes the use of "focus groups" — internal think-tanks, headed by marketing management, comprising all staff with direct end-user contact — to provide market and product intelligence, as a basis for, inter alia, new product/customer service ideas.

## "I hate to admit it, but I prefer flying SAS to Tokyo."

"How could I say anything else? SAS is always on time. They have excellent meals and the service is perfect. And what I like best of all is their once-a-week Trans-Siberian Express connection which arrives in Tokyo early in the morning instead of in the afternoon.

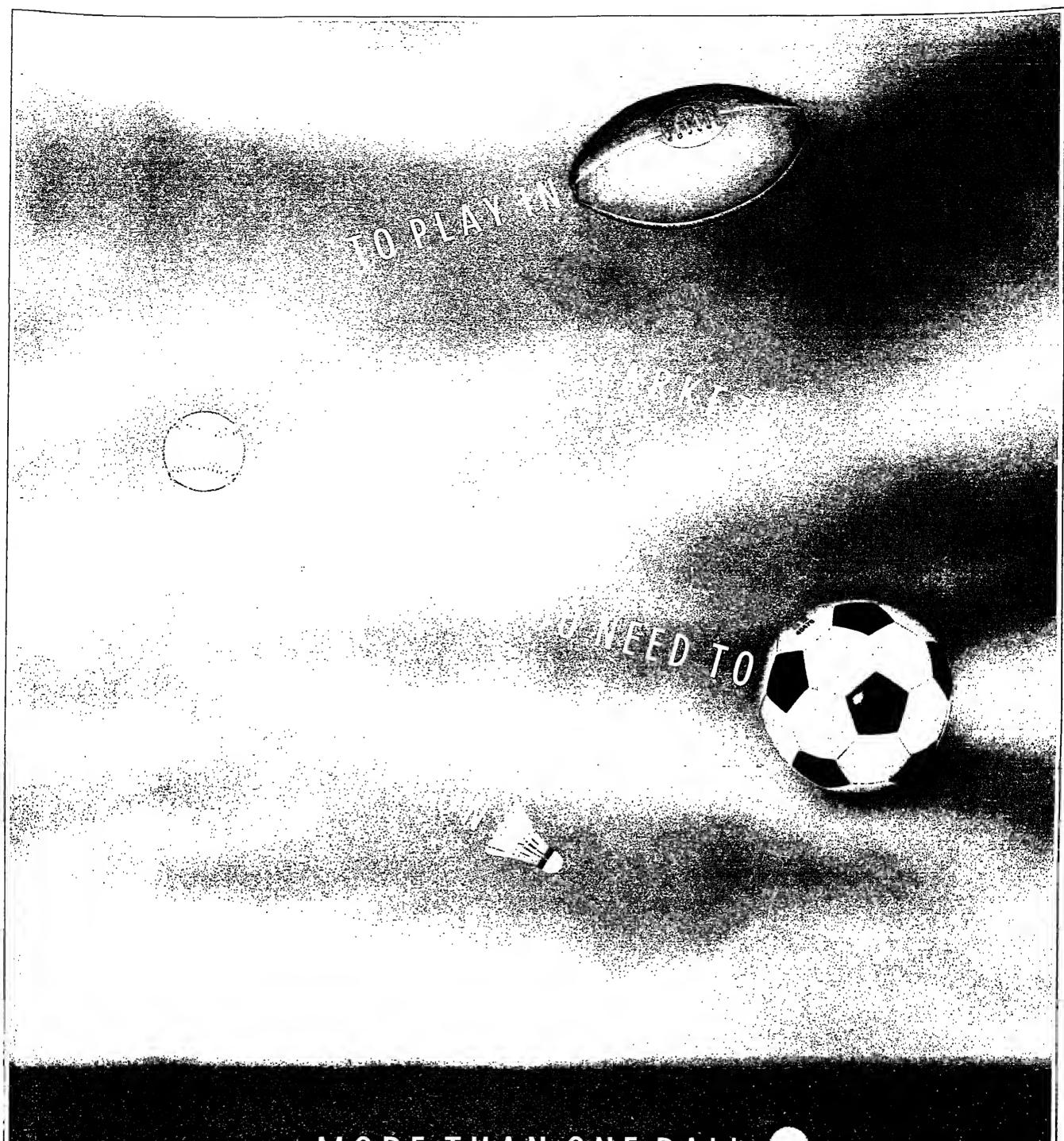
"So how could I possibly say anything else? I prefer SAS."

> YASUYUKI AOYAGI JAPAN PULP & PAPER GMBH



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To maximise the opportunities, investors need access to the best research, dealing and administration capabilities, and up-to-date information systems and technology.

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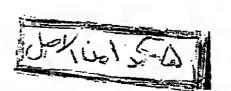
But on the other hand, an organisation which will continue to be based on client relationships and on service.

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## Runaway movie, right off the rails

Runaway Train directed by Andrei The Money Pit directed by Richard

Bring on the Night directed by Michael Apted The Mothers of the Plaza de Mayo

directed by Susana Munoz

It is a little-known scientific theory that up in Alaska, where the freezing air inbibits the oxygen supply to the brain, more crazy things can happen in two hours than almost any.

two hours than almost any-where else in the rest of the

Take the story of Runawa Take the story of Runaway Train. Psychopathic criminal Jon Voight has been welded into his cell for three years. Aided and accompanied by a retarded prison-mate (Eric Roberts) he escapea and smuggles himself onto an old train. It starts up without warning and the driver dies of a heart attack. This causes the train to plough on for miles, out of control. Then a woman turns up (Rebecca De Mornay), an engineer left on board when the locomptive started. an engineer left on board when the locomotive started. Can she help? The trio try to alow or arrest the beast, but soon it is ripplng through the tundra, crossing shaky bridges, skirting chemical plants, near-missing oncoming trains, and traversing mind-blowing stretches of portentous dialogue.

Meanwhile hack at railway

Meanwblie hack at railway HQ, the young wizard who designed the "system" tries to stop the train; the rail chlef seethes, splutters and makes suggestions ("Derail the sonovabitch"); and the madeyed prison governor rages for the duc's resenting.

complain? It has every narra-tive pulse-quickener known, tive pulse-quickener known, except rape and cannibalism. Unfortunately it is also freighted with large quantities of cracker-barrel philosophy, some decidedly unstable overacting, and in-two-minds direction by Russian emigré Andrei Konchalovsky (Siberinde, Maria's Lovers) that suggests he is out to take the brakes off he is out to take the hrakes off plot contrivance roaring along his Western career, commer the tracks towards a hoped-for



Fighting for freedom, Jon Voight in "Runaway Train"

artist and message-deliverer.
The original screenplay was hy Akira Kurosawa, no less, and has been knocking around for years. It has remained bitherto unfilmed, I suspect, hearting and director had the because no director had the nerve to separate, or the skill to weld properly together, the two components of weighty metaphor and entertaining

mayhem.

Konchalovsky seems incapable of handling tha symbolism without dropping it on everyone's toes. There is the train as runaway destiny. There is Volght as the elemental beast ("human train"!) heroworshipped by the even lower life-form Roberts. And there is the assaultingly tendentious dialogue, which has all the subtlety of a classroom blackboard-wiper repeatedly thrown at institentive children, "You're an animal," screams De Mornay the duo's recapture.

If this story had been served an animal," screams De Mornay at Voight. "No, worse," he replies. "a human!" And the replies. "a humon!" And the prevailing message of mortification or self-vituperation for the human race is rammed home by the system-designer back at HQ. Impotent amid his consoles and computers, he cries, "Why couldn't we stop the train—with all this hi-tech?"

I will tell you why: because there would be no movie with-out it. The train is a runaway his Western career, commerthe tracks towards a hoped-for cially speaking, without jetticollision — and why not? — soning his claim to be an with the box-office cash

register. The pity is that if the movie had the courage to remain an action yarn, and had thrown overboard the statement-on-mankind pretensions, it might have made a first-class high-speed entertainment, none look worse before it looks better. it might have made a first-class high-speed entertainment, none too plausible perhaps but not too resistible either.

The woes of house-owning, fresh from receiving grand guignol treatment in last week's House, now get a slapstick going-over in The Money Pit. Those on intimate terms with the Bible will recall that "it is better to dwell in a corner of the house-ton than with a of the bouse-top, than with a brawling woman in a wide house." This is very much the experience of Tom Hanks and Shelley Long. Two loveblrds turfed out of their apartment, they buy a bargain-price manion from Maureen Stepletes. they buy a bargam-price man-sion from Maureen Stapleton, who has to sell fast because ber husband has fled the country. "You think you know a man after 25 years," she complains, "and then Israeli Intelligence knocks on the door." (Her bus-band worked for Hitler, but never mind that now.)

Exit Stapleton, and Hanks and Long are soon camping ont in the lofty bedroom, dismayed by the fact that the rest of the bouse seems to be falling apart the police." Sting, alias Gordon around them. The front door sammer has ignored this advice, falls off its frame; the master left the Police (for now), and staircase collapses like a stack sought artistic truth with a of cards; the kitchen explodes, group of jazz-oriented black

look worse before it looks better.

But even this proves a dream when the pair spread out into the renovated manse only to discover that it is now their love affair, after a supposed infidehty, that is falling apart. Dwelling in a wide house with a brawling helpmeet, each is soon yearning for the old lovenest days in the corner of the house-top. group's baptism.

Richard Benjamin directs for maximum mirth extraction; Miss Long (of TV's Cheers) and Mr Hanks (formerly of Splash and now developing into a Jack Lemmon heir) act with pith and moment, and David Giler (The Black Bird) wrote and executive-produced for the and executive-produced for the Spielberg company.

Bring On The Night, directed by Michael Apted, is a feature-length "rockumentsry" about the singer Sting and the birth of his new band. Those on intimate terms with the poems of W. H. Auden will remember the abjuration, "Leave truth to

he find it? And why has he gone to France to do so?

This movie follows the quest through rehearsal sessions ln a Apted and the new band recruit the chateau lawn and a Paris press conference (why doe: Sting like working in France?

— "I think it has a certain ambience") towards the cli-mactic show which provides the

There are moments of long-faced hilarity (the show's designer, defending its use of mournful monochrome, exmournful monochrome, explains, "Sting wanted it to be Brechtian") and of tortured articulacy ("It's both cerebral and visceral" says one of the girl vocalists of Sting's music). But the pervasive tone is that of a 97-minute publicity brochure fawningly adoring of its subject, right up to the icky subject, right up to the icky sequence in which Sting watches the hirth of his new baby in a Paris hospital and wipes away a sleeveful of invisible tears with his bospital smock.

Better to trip along to Hamp-stead to catch The Mothers of the Plaza De Mayo. Susana Muñoz's documentary about the mothers and grandmothers of the desapericidos in Junta-era Argentina is a rare and moving portrait of love, anger and bravery under pressure.

#### Maxwell Davies concerto/Festival Hall

#### Max Loppert

The Violin Concerto of Peter Maxwell Devies came Wadnesday to London on Wednesday after a birth process ac-corded very few new pieces of serious music — a world première at the Orkney Festival last Saturday (broadcast live on radio and television) followed by recording sessions for CBS. But then, few contemporary composers have the power or the renown to attract Isaac Stern and André Previn (con-ducting the Royal Philhormonic both in Kirkwall and at the Festival Hall) as their mid-

On the evidence of this per-formance the whole enterprise was handsomely justified—not least because all the players had arrived on South Bank with an interpretation of the piece far more "lived in" than the very first one had been. predecessors, still very much a work of art fied to its Scotlish time and place. The centre-piece of a three-movement structure (unfolded without The new concerto seems to me remarkably successful at reconstructure (unfolded without pause) admits this Scottishness most explicitly, and with an emotional impulse that proces immediately affecting: it is a simple piper's lament, adagio, in which divided strings provide drone support to the quiet solo keeping. ciling the various demands placed on the composer — by the particular performers, the particular occasion, and not least by his own compositional high standards.

Concerto of Devies came world-famons violinist, who itself drawn from the dominant opening malerial—a bassoon and process acew new pieces are world opening malerial—a bassoon and liorn due; of gentle falling and process acew new pieces in inward grace and quiet poetle understanding besides. It of orchestral writing for modest doubt to the composer's now. of orchestral writing for modest forces (by late-20th century standards, that is: hardly larger familiar appropriation of sociata argument, attended by growing intimations of provocative timpani and brass flare-ups to than the standard Classical orchestral in which solo and group statements are set logether and apart with, on the point anew Maxwell Davies Sibelius inheritance. The finale whole, sustained expertise, returns to the initial subject And, in all this, it remains true matter, but now in a mood of breeze-blown sprightliness, gradually infused by a tender, to its composer's recent pre-Naturally enough, this is an "Orkney piece" — or, if less stirred by northern winds and troubled recall of the lament.

The close is a question-mark: very much the fitting conclusion. The Violin Concerto hangs together. It has audience appeal not facilitious but honestly earned. The solo writing twhich takes in a big cadenza in the first movement, a traditional device revired with absolute rightness) should soon attract other leading all appears though few will ing players, though few will bring the personal, "animal" sonority and style that Stern so beautifully found last night. The Violin Concerto, lasting about a half-hour, is an extremely taxing yet also not-

#### The Relapse/Chichester Festival Theatre

waters than some of its recent

#### Michael Coveney

Richard Briers as Lord played as I can remember it. It sheer unliness of the eastumes. Foppington ia only one of several disappointments in this messy and incoherent revival of Vanbrugh's comedy. Mr Briera is an ector capable of many things—pathes in Ayckbourn, bumour in Ibsen—but vanity on the rampage is not in bis repertoire. He is too kind, too geoial and altogether too nice a character to be caught stapping bis vitals or striking himself dumb. Foppington, as Haziltt said, is a atrutting vainglorious blockhead: Mr Briers creeps up blockhead: Mr Briers creeps up behind him and gooses the upstart peer with good manners. He neither revels in poodle disguises nor incriminating yowels as did Simon Callow, nor goes to town on the catch-phrases as did Donald Sinden,

Foppington Is off for much of the action which leaves Matthew Francis's earnest production doubly exposed. This may, in fact, be the idea, for the central amorous quadrille is as forcibly

is just not very interesting. The trial of virtue in Loveless's and Amsnda's marriage is vigorously counterpointed with Worthy's plot, and Berinthia's merry widow anties. The sub-plot takes over, leaving the Foppingtons assault on the well-endowed country girl Hoyden a flashing sbadowplay.
This is all very well, and long stretches of dlalogue are heard as if for the first time.
Particular beneficiary of the

downbeat approach is Paola Dionisotti's inventive and intelligent Berinthia, wbosc dilemma and sexual ambition are very well exposed. But the are very well exposed. But the play's motor is missing.
The country squire Sir Tunbelly Clumsey, Hoyden's father, is an initially sinister figure. Harold Innocent emerging from the shadows in a blood-spattered apron resembling nothing so much as Benny Hill having a go at Sweeney Todd.

It is difficult to live with the

It is difficult to live with the

which look cheap and firmey, apploagetic even against a chaotic scenic background (designed by Di Seymour) of broken pillars, aborted archi-traves, scallolded platforms and an illuminated peacock, as if us something about a for rising above the architectural rubble of Vanbrugh's mixed artistic enterprises.

Kate Buffery's Amanda is interesting and intelligent although appallingly costumed; David Gwillim's Loveless a formidable and commanding roue; and Miss Dionisotti's Berintbia is a wonderful study, against all the odds, of sexual reawakening among the poseurs, Tamsin Olivier makes an eyecatching debut as a buxom sultry mald and Ronnie Stevens is a remarkably unlascivious pigeon-toed little Pandar. Do they know nothing of sex in Chichester?

#### Romeo and Juliet/Ludlow Castle

B. A. Young

The open-air Ludlow Festival racy of bis sword-play. Romeo production by Chris Hayes takes had the misfortune to be rained a teenage view of Romeo and scene. He returned after a flust. No one is so much at home as Ablgail Cruttenden's jests as scars," and his victory Juliet, who looks a potential over the elements put fresh results as some as a calmer grouping, between the male trio and the two groups of women, between hursts of action and passages 15, even if 13 is beyond ber, vigonr into his already vigorous playing. and sounds It too. Romeo (Richard Garnett) and the Montagu gang are refugees from the Job Centre, in spite of their smart ailk breeches.

seen through teenage eyes, constantly making absurd demands and erupting into anger when and erupting into anger worn
they are not at once obeyed.
Lady Capulet (Mandy RiceDavies) tells us that she is 26
or 27 years old, but the youngsters can see that, behind the
cosmetic art, she is much more
than that. The Prince (Raymond Adamson) shows the alarming superiority of a strict head-Within these frontiers the act-

within these frontiers the acting is enjoyable though I found the pentameters of the verse too clearly spelt out sometimea. Michael Cassidy's Mercutio dies with more good bumour than have been acake regret; Andy Taylor's Tybalt bravely fell on the impeaches with the blood accu-sob his heart out.

The text is slightly cut, Instead of the opening sonnet we have a shrill Nurse (Maria Charles) calling for her man mart all oreecnes.

Peter, who is involved in a
The older folk are adults shortened version of the initial family quarrel. Sean Cavanagh'a design uses a beanteous but un-practical pile of Renaissance architecture against the up-stage wall of Ludlow Castle's handsome ruins. Around it is a three-storey network of scaf-folding which is not used to delineate specific acting areas much except in the case of Juliet's lofty bedchamber. (Romeo breaks in for his wedding night with a long slide down a rope from the top of the wall). Friar Lawrence wall). (Nicholas Smith, truly clerical) has a cell that extends the full

#### Ricercare/Sadler's Wells Clement Crisp

Birtwistle score, Carmen Acadiae Merchanicae Perpetuum. It is music brisk, energetic, continues to be record most distinguished-and feature two hrilliantly patterned over- brings back one of Tetley's most lapping panels against which rainbow-hned leotards for the Diane Walker and Robert Poola cast match the generally bright are the couple first seen

The plotless choreography of Reuben divides the dancers into groups -three men, two women, an attendant trio of women-whom Mr Page deploys in patterns and evolutions in which a width of the stage. Romeo must certain amount of the academic have been anaked when he vocabulary is employed, though bravely fell on the rainy floor to stretched, developed, distorted to give a "modern" twist. Tha tum is excellently maintained.

when the dance congeals and then flows on. Brief ln span, and fragmented, and Mr Page's succinct as Mr Birtwistle's piece, which takes its title from score, Carmen Arcadiae sugthe score, is responsive to many gests that Ashley Page is learnof the music's procedures. The ing his craft, and has benefited set and costumes are by Jack from the chance to work outside Smith—the Rambert design the daunting arena of the the daunting arena of the Covent Garden stage. The revival of Ricercure

and houncy feeling of the work. sheltering on the grand curve Ter-Arutunian's wooden shell. They state the dance with rather more gentleness than earlier Rambert casts, but the opening out of the action, as their relationship moves from serenity to anxiety before finding its ultimate repose again, is well delineated, and the work's nervous momen-

sensitive emotional dialogues.



Amanda Britton and Mary Evelyn

Change is in the air at January 13, 1987, not with

Rosy future for Garden

Works by Berio and Harrison Birtwistie are already in the pipeline. In addition Haitink intends to promote the Covent Garden orchestra: he will bring them out of the pit to play concerts featuring the work of British compresses. British composers, including new commissions. A third in-novation will be Haitink's

production planned for this tion. season which will now open on

Change ...
Ovent Garden at lass.

Aaitink, who takes over music director of the Royal Opera in the autumn ot 1987, but who is already actively involved with programme planning, yesterday gave some indication of his thinking. He indication of his thinking, He indication of his thinking. He house is the advent of subtitles, a guide in English to the action, which will be first used in an evening performance on November 17 with the new Jenuja. The reen, measuring 10 feet wides the house is the action, which will be first used in an evening performance on November 17 with the new Jenuja. The reen, measuring 10 feet wides the house is the action, which will be first used in an evening performance on November 17 with the new Jenuja. The by the Dorrington Corporation: it cost £22,200. Three more operas in the season will be trested with surtitles, which bave been tried out at schools matinees.

novation will be Haitink's debut as s conductor of the ballet — he bopes to work with the Royal Ballet on a Stravinsky triple bill next aeason.

The 1986-87 aeason at the Opera House will feature five new productions — Jenufe by Janácek (direction by Yuri Lyubimov, Haitink conducting. Gabriela Benacková in the title role); Verdi's Otello with Placido Domingo, the notorious production planned for this

June 1986

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Massey Ferguson Nederland N.V. by the Chase Manhattan Bank N.A. London as Principal paying Agent June-1986

## FINANCIAL TIMES CONFERENCES

Hong Kong, 25 & 26 September 1996

This year's FT energy conference will look at the effects of the drastic fall in the price of oil on the development, finance, production and marketing of the oil end gas of the Pacific Region, Speakers will include:— Ir Wijarso, the leading Indonesian Official, Mr Zou Ming, Senior Adviser to the China National Offshore Oil Corporation, Mr Paul Ravesies, President of Arco International Oil and Gas and Mr Dick van Hilten, Chairman and Chief Executive of Shell Refining In Singapore. The event is to be co-sponsored by the Petroleum News.

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#### Saleroom/Antony Thorncroft

#### Highly contemporary

collectors of modern art, com Alechinksy and Vierra da Silva. missioning works from the young artists of the day, and often paying negligible sums. yesterday Siebu of Tokyo paid On Wednesday night Solheby'a fl25,400 for Chagall's "Daphnis sold the bulk of the collection and Chloe," a set of 42 plates for £414,887. As usual in contemporary art there were bits and misses.

The main failure was the most important work, Malcolm Morely's enormous "New York City Postcard," almost twenty foot long, which was unsold at £140,000, just short of its low estimate. But "Concerto estimate. But "Concerto Spaziale" by Lucio Fontana went for £49,500, and a similar uncluttered canvas, "Achrome"
by Piero Manzoni did well st
£45,100. "Reclining figure
No. 3" by Henry Moore made

which usually trails behind New York in this sector. There were nine new artist auction records, including the £143,000 paid for "Luna e Venezia" by Fontana.
Another work by this Italian artist, "Fine de dio," made £99,000.

Another record was the 283,600 paid for "Composition" items and realised £6,912 from by Serge Poliakoff, as was the £59,400 which accured Jean one of the, a George III satinfully "Fontaine F," an iron sculpture. "Se 181." made of chinese scarlet and gold lacquer sponge, plaster and metal, by Yves Klein sold for £79,200.

In the 1960s Friedrich Karl Among the other artists who set Johnssen was one of the leading new highs were Burri, Tapies,

In the prints at Sotbeby's plus the title, and a record for the set. Mulder bought Munch's the main failure was the most brucke" print tor £82,500. The excellent library

Lionel Robinson is being sold by Sotheby's and the first session totalled £366,256 with virtually everything going. Robinson is celebrated for his act of daring in acquiring the vast residue of the famous Phillipps collection. Top price was the £57.200 paid by Clavreuil, the French dealer, for a 1527 Missal, the use of Evreux. Contemporary art met s better "A narrative on the death of response yesterdsy at Sotheby's Captain James Cook . . , and with the total of £1,894,310 and 19 per cent unsold, unprecedentedly low for London. Which usually trails behind Naw Telende". disease into the Sandwich Islands," a first edition by David Samwell, was bought by Quaritch for £19,800.

Among the vendors st Christie's furniture sale yesterday were the Duke of leuch, the Countess of Suther-land—and Faye Dunaway, the



#### Opera and Ballet

Royal Opera House, Covent Garden: A long-awaited new production of Fidelio marks Colin Davis's final appearance as Royal Opera chief cooductor. The producer is Andrei Serban; the cast is led by Elizabeth Connell, James King, Hartmut Welker, and Gwynne Howell. (240 1066).

English National Opera, Coliseum: Last two performances of the season. Domizett's Mary Stuart with

Regish National Opera, Colliseum: Last two performances of the sea-son – Donizatti's Mary Stuart with Faith Elliott in the title role, and the

Die Zanherfiëte in Marcel Bluwal's production tries to show the shaft of optimism shining through the com-plexity and contradictions of Mozart's work which combines philoso-phical depth with the Burlesque at the Opéra Comique (432 9606 11). otte in Rudolf Nurevey's choreography and production adding a playful element of Commedia dell'Arte and a lovers' intrigue to the original op-era created by Petipa in 1889 to music by Minkus Paris Opera

(42665022). Mozart Festival – Don Giovanni is coproduced by the Orchestre de Paris, Washington Opera and the Théâtre des Champs Elysies, conducted by Daniel Barenboim, Orchestre de Paris choir conducted by Arthur Old-ham in Jean-Pierre Ponnelle's production at the Théâtre des Champs

Elysees (47234777).

The Wuppertal Tanzinester is bringing two works by Pina Bausch with her violence in deciphering human nature and her tenderness in understanding it to the Theatre de la Ville (42742277).

WEST GERMANY.

Berlin, Deutsche Oper: Riguletto, a Hans Neuenfels production has Ing-var Wixell, Barbara Hendricks and var Wizell, Barbara hendricks and Dano Raffanti. This week's high-light is Tristan und Isolde starring Ingrid Bjoner, Spas Wenkoff and Martti Talvels. Also Dieter Skeber's Untergang der Titanic and Tosca.

Last two performances of the season – Donizetti's Mary Stuart with Faith Elliott in the title role, and the company's beautiful modern reworking of Dvorak's Rusalka. (838 3161).

Royal Opera House, Covent Garden: The Royal Ballet has a varied programme. (240 1068).

Collegua: Dance Theatre of Harlem season opens on Tuesday until July 12. (836 3161).

(34 381).

Hamburg, Staatsoper: A concert version of Boito's Mefistofele with Gabriela Benackova, Galina Savova and Samuel Ramey, conducted by Guseppe Patané (35 11 51).

Frankfurt, Opera: The last performance this season will be Der Rosenkavalier. The cast includes Ellen Shade, Marianne Rorholm, Susan Roberts and Dieter Weller. (25 621). Cologne, Opera: Zar und Zimmermann has fine interpretations by Mar-ianne Hirsti, Franz Grundheber and Martin Finke, Figaros Hochzeit, sung in Italian has Janice Hall, Ana Andonian and Claudio Nic

(20 751). Stuttgart, Württembergisches Staats-theater, There was much praise for Jemnia. Manon Lescaut features Urszula Koszut, Helene Schneider-

Rome: Terme di Caracalla: The Rome Opera summer season opens with Alberto Passani's production of Locia di Lammermoor (the first performance at the open-air theatre here for over 30 years). Edita Gruberova sings the title role, with Alberto Cu-nido as Edgardo and Juan Pons as Enrice. The young Friedrich Haider conducts and the scenery and cosimes are by William Orlandi.

times are by William Orlandi. (46 17 55).

William: Teatro alla Scala: Le Martyre de Saint Sebastien by Debussy conducted by Sylvain Cambreling, and directed by choreographer Maurice Bejart. Scenary and costumes are by Maurizio Balo. Eugene Onegin, conducted by Seiji Ozawa (on Thurby Armando Getto) and directed by Andred Konchalpusty (20 01 28).

Staatsoper: Manon Lescaut conducted by Sinopoli with Zampieri, Hintar-meier, Helm, Mauro, Rydl, Gahm-lich: La Boheme conducted by Goad-agno, Carmen conducted by Welkert with 'Baltsa, Borovaka, Carreras, Gyldenfeldt. (53 24/26 55). Volksoper: The Magic Finte; Der Vo-gelhändler; Det Openball (53 24/26 57).

New York City Opera (NY State Thea-tre): 20 weeks of summar opera in-cluding new productions of Werther, Don Quinnte, the New-Moon and the world premiere of Anthony Davis's X (The Life and Times of Malcolm X) starts with a week of Bernstein's Candide, Lincoln Center (870 5800).

TOKYO:

The Jose Migael Daneses: All-flamen-co performance as part of Japan's fascination with Spain and start of Tokyo's summer season of flamenco, dance. Yurakucho Asahi Hall, near Ginza and major hotels. (Tue, Wed, Thur). (475 5220).

Theatre

LONDON The Normal Heart (Albery): Tom "Am-adens" Hulders playing the crusad-ing hero of Larry Kramer's bysteri-cal melodrama for a three-month

cal melodrama for a three-month season, as public concern over the Aids epidemic increases, (336 3378 credit cards (OC) 379 6565).

Orphada (Apollo): Last chance to catch explosive collision of acting styles between Albert Finney and two of Chicago's Steppenwolf artists in implausible, guity drama. (437 2863). Until end of June.

Anthony and Cleopatra, The Taming of the Shrew (Haymarket): Vanessa Redgrave as Cleopatra and Katherina leads have West End presentation and astunishes still with her elemental talent, especially as Cleo.

elemental talent, especially as Geo... (230 2632 (CC) 240 7200).

La Cage Ann Felles (Palladhum):
George Hearn a welcome star alongside Denis Cindiby by the transverstits show for all the family. Weak
second act, less thin warings Jerry
Herman score. The thinw has not
travelled well. Iron. Broadway.
(437 7373 (CC) 764 2561).

Ritthe Spirit. (Vifideville): Susan
Hampshirt and Joanne van Gyseghem have now joined Simon Cadell in
this emjoyable. Coward revival.
(336 2937).

Troilus and Cresidia (Barbican): Provocative RSC production set vaguely in the Crimean War with Juliet
Stevenson refusing to play Cresida
false but riveting just the same. The
bumptious 3950s Merry Wives continues in repertoire. (628 5795).

tinues in repertoire. (628 8795). Dalliance (Lyttelton): Tom Stoppard's new version of Schnitzler's Liebelei is a crushing disappointment only partly redeemed by Brenda Blethyn partly redeemed by Brenda Blethyn as the ruined working girl. A theat-ricalised travesty of the work adds to the confusion of middle-aged ac-turs playing boyish dragoons in Pe-ter Wood's numbingly respectable production. (928 2252).

Lend Me A Tenor (Globe): Fresh and inventive operatic farce by new American author Sen Ludwig set in Cleveland, Ohlo in 1934. Dennis inventive operatic farce by new American author Ken Ludwig set in Cleveland. Ohlo in 1934. Demis Lewson and Jan Francis lead an energetic company in mistakan identity romp, while Verdi's Otello carries on recardless (437 1592)

ries on regardless. (437 1592) When We Are Married (Whitehall): Matchless comic playing from an all star cast in Priestley's comic warhouse about silver weeding sum-versaries undermined by an incon-venient revelation. Bill Fraser is a drumben Falsbaffian photographer drunken Falstaffian photographer and the couples are led by Timothy West and Prunella Scalas. The 1930 theatre has been beautifully remo-vated. (930 7763). Noises Off (Savoy): The funniest play for years in London, now with an improved third act. Michael Biake-more's brilliant direction of back-

third-rate farce is a key factor. (836 8889).
Statilight Express (Apollo Victoria): Andrew Lloyd Webber's rollerskating folly has 10 minutes of Spielberg movie magic, an exciting first half and a dwhdling reliance on indiscriminate rushing around. Disneyland, Star Wars and Cats are all influences. Pestiche score node toinfluences. Pestiche score nods to-wards rock country and hot gospel. Norchild is known to have asked for-his money back. (834 6184). 2nd Street (Drury Lame): No British equivalent has been found for New York's Jerry Orbach, but David Mer-

NEW YORK

Cats (Winter Garden): Still a sellout, Trever Num's production of T.S. El-liot's children's poetry set to trendy music is visually startling and choreographically feline, but classic only in the sense of a rather staid and overblown idea of theatricality. (236 6262). 42nd Street (Majestic): An immodest celebration of the heyday of Broad-

has not only supported Joseph.

Papp's Public Theater for eight
years but also updated the musical
genre with its backstage story inwhich the songs are used as suditions rather titen emotions. (239 6200).

(238 6200).

Big River (O'Neill): Roger Miller's mistic rescues this sedentary version of Huck Finn's adventures down the Mississippi, which walked off with many 1985 Tuny awards almost by default. (246 0220).

Loot. (Music Box): John Tillinger directs this high-spirited revival of Joe Orton's 1986 macabre farce featuring Zoe Wanamaker as the homi-

turing Zoe Wansmaker as the homi-cidal nurse who romances a widow-er while burying his wife and con-niving with their thieving son to hide the body. (239 6200)

The Came Mutiny Court Martial (Eisenhower): Chariton Heston and Ben Cross star in the military courtroom drama written by Herman Wook Ends July 6. Kennedy Center

CHECAGO

Punin Boys and Dinettes (Apollo Cen-ter): Facetious look at country music text racedous look at country music and down-home country life with a good best and some memorable songs, especially one played on kit-chen itensils has proved to be a du-rable Chicago hit, (935 6100).

True West: The Japanese version of Sam Shephard's play directed by Nobuhiro Nishikawa sis part of a short Sam Shephard season. Parco

Exhibitions

The Tate Gallery: Oskar Kokoschka -a major exhibition to mark the centenary of the Austrian survivor of the great age of expressionism be-fore World War I, who died only in 1960 at the age of 94. He continued to spirk long into old age, by which time the sometime radical, ex-caval-ryman in the Austrian Emperor's army had been long confirmed in the Establishment, a Swiss resident for needs 20 years and British citic process. for nearer 30 years and British citizen for nearer 40. This full retrospective confirms that the young painter, fresh from his studies in Vienna in the mid-1990s, was an art-Aug 10.

reach Masters of the 19th and 28th French Masters of the 19th and 28th century: The catalogue of the yearly Robert Schmit exhibition reads like a Who's Who in painting. There are five Boudins, the gallery's speciality. Callebotta, Cézanne, Ven Dongen, Fantin-Latour, Odilon Redon and even Soutine grace the walls with bouquets of flowers while Chagall has a flowering tree in his redtweed sunset. Degas has a study of two dancers and a fiery coloured oil of a mide combing her hair. There is a large composition by Derain from a large composition by Derain from the late 1930s, the Painter And His the late 1998, the Famer And his Family grouping in a surprisingly realistic rendering – his wife with a book, his niece, his sister-in-law, family est and himself in the centre

hand.

The strong point of the exhibition is a Picasso painted in 1900, a scene of typical Spanish figures in expressive attitudes and striking colours in front of a wine shop. As a counterpoint there is a stylised Women in a Rocking Chair dated 1956 with the same strong orange, black and him symming up Picas. black and blue summing up Picas-so's artistic development. Galerie Schmit, 396 Rue Saint Hoooré (4250 3635), closed Sun and hmch-time. Ends July 19.

before an easel with a brush in his

keyrenth, Iwalewa-Haus, Münagasse 9: Art and Colture from the Congo and Zaire. About 300 paintings, cult and practical objects from the Colo-nial period to today. Ends June 29. Lamburg, Kunsthelle, Glockengießerwall I: Renaissance of the North, 110 German and Dutch paintings on loan from the Paris Ecole des Beaux-Arts. Among the artists are won Bouts, Dürer and Goltzius, Ends

EAST GERMANY

Dresden; Villa Hügel: The chairman of Krupp, Dr Berthold Beitz, who is also head of the private Ruhr cultu-ral institute, was the moving force behind this exhibition, helped by Mr Erich Hönecker, the East German leader The Utils Hiller 114 years Erich Honecker, the East German leader. The Villa Hügel, 114 years old, has been redecorated for the exhibition. This is the first show organised by the institute, founded three years ago on the initiative of the Krupp Foundation. The treasures from the period 1694-1733 of great Electors are on loan from Dresden's Electors are on loan from Dreaden's state cultural collections. The eight royal collections are presented seworks. There is also one of the olworks. There is also one of the or-dest and most complete coin collec-tions in the world and a huge collec-tion of arms and copper engravings by Boucher, Chardin, Piranesti and Tiepolo. The picture gallery includes works by Titlan, Poussin, Velas-quez, Rubens, Bembrandt and Cra-nach, Ends Nov 2.

Venice: Palazzo Grassi: Futurism and Futurisms: Fiat opens its art centre on the Grand Canel with the largest exhibition to be devoted to the Futurist Movement, a movement born in Italy, and the first to exalt techno logy, and to try to convey speed on canvas. More than 300 works have been leat. The paintings are mainly from 1909-18, but there are mainly from 1909-18 to the liberature. also sections devoted to literature theatre, music, architecture, fashion and furniture, showing futurism's influence up to 1930. Ends Oct 12.

**NETHERLANDS** 

Utrecht, Catharijneconvent. The le-gends and facts surrounding the life and voyages of St Brendan, the 8th-'Irish Odysseus', are examined with the aid of fancifully illuminated manuscripts and early printed books. Ends August 10,

Madrid, References and Identities. An enounter of prestigious interna-tional artists welcoming the inagu-ration of a new art centre in Madrid: Centro Reina Sofia, Santa Isabel SZ.

Japan House: Burghley House, with the earliest known record of Japa-nese porcelain in Europe, provides a touring exhibit that will visit the High Museum in Atlanta and then Japan through 1968 with 205 Japa-nese and Chinese objects dating from the 18th to the 18th centuries.

Ends July 27.
Museum of the City of New York: Arbit Blatas's paintings, drawings and sculptures of Three Penny Opera covering 12 scenes and 11 charac-ters, were inspired by the historic Theatre de Lys production in 1954 starring Lotte Lenya. Ends Oct 15.

WASHINGTON

Hirshhop: Museum: 75 works of the California sculptor Robert Arneson presents the glazed ceramics he pioneered in what became the Funk movement in the 1980s with its invescerant view of other artists, contemporary artefacts and art itself.

temporary arteracts ann art itseir.
Ends July 6,
lational Museum of American Art: 68
Pueblo Indian water colours from
between the world wars recreate the
ripal azimal dances ammg other
disappearing tribal customs, Ends
Angust 17,

Art Institute: Famous as a fashion photographer, Richard Avedon un-dertook a five-year project to cap-ture the American West in the tradi-tion of nineteenth-century photogra-phers such as William Henry Jackson. The results are "a fictional West", Avedon claims, with outsized portraits of Americans ranging from a rattlesnake roundup to county fairs. Ends Angust 3.

fairs. Ends Angust 3.
Art Institute: Treasures of Japanese
Buddhist Art, the only showing in
the Western world of works from
the great Todaiji Temple in Nara,
Japan, includes 151 statues, handacrolis and intricately designed lecquered objects from the largest
wooden temple in the world. Ends
Sept 7.

Tang Three Colour Glazes: Ceramic vessels and figurines excavated from burial mounds of the Tumulus period in their characteristic brown, green and blue glazes: Idemitsu Art Gellery, 9th floor of the Kokusai Building, above Imperial Theatre.

WASHINGTON

lighted by a visit from the Newport Folk Festival in August, this sum-mer-long series of popular singers and musicians includes recital per-formances Neil Sedaka, Shirley

Bassey, Dionne Warwick and Petula Clark, Ends Aug 27.

CHICAGO

Music

Alfred Brendel, piano and Heinz Holli-ger, oboe with friends. Beethoven and Mozart, Royal Festival Hall (Mon). (928 3191). Philharmouta Orchestra conducted by Philharmonia Orchestra conflected by Guido Ajmone-Marsan with Ste-phen Bishop-Kovacevich, piano. Strauss, Beethoven and Dvořák. Boyal Festival Hall (Tue). London Mozart Players and London Choral Society conflected by Jane Glover, Haydn: The Seasons, Royal Festival Hall (Wed).

SPAN sanada International Festival: Alex-is Weissenberg, piano. Franck, Schumann (Mou): Eulalia Sole, pi-ano (Thur). Commemorates 1927, generation of poets and composers. Auditorio Manuel de Falls.

Barcelona, Grec 86 Festival. Orquestra Solistes de Catalunya. Mozari (Tue); mezzo Anna Ricci (Thur). Jardins de l'Hospital.

lenna Boys Cheir and the Bruckner Orchestra of Linz conducted by Luwe Christian Harrer. Bach, Bee-thoven. St. Stephen's Cathedral.

Pergamenachikov, cello. Verdi, El-gar, Tchaikovsky. Rathaus Arkad-enhof (42 800/28 74). (Tue).

CHICAGO

Ravinia Festival: The 5st season, honouring Mozart and the 230th anniversary of his birth and Liszt on the 100th anniversary of his death, starts with James Levine, piano and Shlomo Mintz violin, Michael Ouzounian viole, Lynn Harrell, cello and David Taylor, violin. Muzart, Brahms, Dvořák (Tue); Kathleen Battle, soprano with James Levine, piano (Wed); and Windham Hill Live with Michael Hedges, William Ackerman, and Shadowfax (Thur). Highland Park. (720 4842).

imitris Squarus (piano): Scariatti, Beethovan, Ravel, Chopin, Tokyo Bunka Kalkan. (Mon). (237 9990; 980 6060).

Josef Anton Scherrer (piano): Boulez,
Moroi, Cage, Stockhausen, Takemitsu, Widmaier, Fortig, Ingham, Vario
Hall, near Tokyo University (Tue).

Hell, near Tokyo University (Tue). (818 4151). Izama Bell' Arte Easemble: Mozart, Johann Strauss, Haydn. Sogetsu Hall, Aoyama Ichome. (Tue).

(401 2500).

Osaka Philharmonic Orchestra conducted by Asahina Takahashi.

Bruckner. Tokyo Bunka Kaikan
(Tue). (571 1539; 237 9990).

Legal Notices NO. 002653 of 1986
IN THE HIGH COURT OF JUSTICE-CHARCERY DIVISION
IN THE MATTER OF
WESTWOOD DAWNS BIG
AND IN THE MATTER OF
THE COMPANIES ACT 1985

NOTIFICE 16 HERREY CIVEN that of Potition was on 27th Merch, 1886 presented to Her Majesty's High Court of Justice for the confirmation of the reduceion of the capital of the above

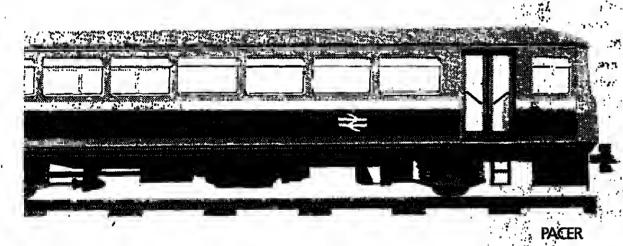
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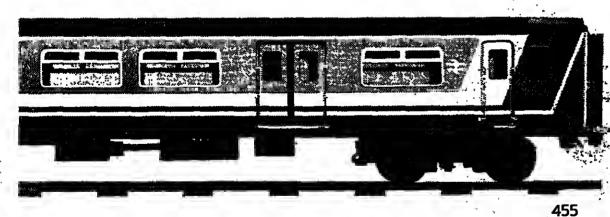
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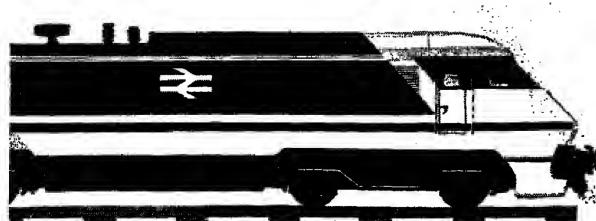
Room 372, on enough, 7th July, 1980, ANY Conditor or Shapeholder of the different declarate declarate the company of the said Company to the said Company t

Helmsman

changingi MINUS DILLER OF MARKET SERVICE The product of the surveying the London & File







We're introducing new, faster, more reliable and more comfortable trains.

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Tamba Tamba

1191

51

il of

"Dance, then, wherever you may be"

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#### FINANCIALTIMES

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Friday June 27 1986

## Austerity is not enough

declared that aervicing Mexico'a debts "on the terms agreed" was a useless effort and a waste of its foreign exchange reserves. The same day, Japan announced the first fall in its gross national product for more than a decade—a direct conequence of the yen revaluation which bas been forced on the Japanese by their Internationally unacceptable current

account surplus.

Whet do these disparate developments have in common? An important link emerges from the annual figures on the financial flows from industrialised to developing countries published today by the OECD. The amount of official and private external finance available to Third World countries bas fallen, for the fourth year running, to less than 60 per cent of the 1981 level.

The Implications for Africa and Latin America are familiar.
The debt bomb may now have bean defused, in the sense that most international banks have probably built np sufficient capital to survive a default. But as it becomes apparent that no additional resources are in sight for the developing countries that there are no rewards for countries which co-operate, as Mexico has done to date, with the system—the major debtors' actions are likely to become more unpredictable and disrup-tive.

#### Conditional loans

In Africa, the World Bank has pointed out that there are receotly reformed countries less than three weeks of its such as Zambia and Ghana. current account surplus. There is no economic reason why at reform will fall, just as the universally-praised sdistanent adoubling tomorrow and earn the beence of new foreign finance.

Bank revealed that it had now become e net absorber of funds from Third World countries—its interest and principal receipts in the past financial year have exceeded its new lending. On Tuesday, the Mexican Finance Minister declared that aervicing Mexica's selves out of their present selves out of their present economic nightmare. Mexico and other middle-income debtor countries will doubtless need much larger sums, but estimating precise requirements is less important at this stage than simply recognising that much more will have to be done.

The World Bank, for countries will doubtless need much larger sums, but estimating precise requirements in less important at this stage than simply recognising that much more will have to be done.

The World Bank, for exampla, must move even

faster away from its normal type of lending — for which demand is dwindling — to general support for the balance of payments, which is now the biggest constraint on develop-

ever, something may have to give in the traditional interaction between the Bank and the IMF. In Mexico, for example, there is no point in the World Bank offering to lend more money in support of economic growth, as envisaged by the US administration, if these loans are conditional on the support of the most disorganised type. The European Court of Justice has fired its shots and the support of the support of the most disorganised type. The European Court of Justice has fired its shots and the support of the these leans are conditional on IMF targets which are designed to deflate the economy so as to minimise the country's call

on foreign credit.

Similarly it is absurd that the whola African economic reform programme should be in danger of foundering for want of \$2.50n in concessional finance at e time when Japan purports to be embarrassed by the surpluses on its current

The Japanese Government lag Japanese Government has set a "medium-term plan" for increasing its development aid. The targets, bowever, are far too gradualistic and unambitious. As the OECD reports today, Japan's overseas development development assistance is still running at only about 0.3 per cent of GNP, compared with 0.5 per cent in Germany and France and more than 0.8 per cent in Scandinavia and the Natharlande

A doubling of Japan'a deve-

liberalisation—not only economic, but possibly political as developing countries. Feasible well—will be set back throughout the developing world.

According to the World Bank's latest study on Africa, a minimum of \$2.5bu in additional aid will be required annually to give the low income countries of Africa a chance to pull them-

## Still a case for nuclear power

TWO MONTHS after the then is e reminder of the explosion et the Chernobyl damage which could yet be done nuclear reactor in the USSR, by another energy crisis. many Western governments are still wondering how to deal with the surge of public oppo-sition to atomic power.

Opposition has strengthened because the disaster happened when energy prices were generally falling and oil, gas and coal all seemed to be in plentiful aupply.

Many people have therefore questioned whether the world really needs nuclear energy on the scale envisaged only a few years ago.
But it is important that the

public debate should not be-come swamped by emotions and fears as a result of the Chernobyl explosion. It demonstrated all too clearly that radiation hazards respect no national boundaries.

national boundaries.

However, the growing interdependence of the world economy has meant that the benefits of nuclear power are also dispersed. The advantage which all oil-importing countries are now reaping from low oil prices is at least party the result of the large nuclear result of the large nuclear power programmes which were started in the late 1960s and

If those power stations did not exist, demand for oil and other fossil fuels would now be much bigher, assuming that economic growth could have continued et the same rate.

Similarly, if Sweden abandons nuclear power it will continue to benefit from the nuclear to benefit from the nuclear to benefit from the nuclear to be the first to draw attention. to benefit from the nuclear

For this reason. Mr Peter Walker, UK Energy Secretary, has shown political courage in choosing this moment in inject into the nuclear debate; a per-ception of the economic penal-ties which the world would now against feasible and specific be suffering in the absence of

The sharp recession which long term alternative to nuclear followed the oil shock in 1973 power but, in the short term, it showed bow delicately the would be silly to spend money world's economic well-being was increasing the supply of elec-balanced upon security of tricity if the same result could energy supplies. The large in-crease in unemployment since safely by reducing demand.

On the other hand, Mr Walker's visions of a nuclearfree world beeding for disaster in the next century need to be

taken with a pinch of salt. Predictions when oil reserves will run out have too often been proved wrong in the past by new discoveries. When conventional oil reserves do run dry, the world can turn to oil deposits in shale rock. It is unlikely therefore that the world will simply run out of fossil fuels, but they will

Conservation projects

certainly become more

In the longer term therefore, the economic edvantage of nuclear power is likely to come more and more marked. In the shorter term, such a country as Britain has to consider whether it would be at a major competitive disadvan-tage with France if by neglecting the nuclear option it risked pushing up electricity costs to perhaps twice those of its neighbour.

Since many such decisions will be taken by different

they help to cut demand for time being the world appears fossil fuels and hold down to have a breathing prices. rising relatively slowly, while scope for conserving energy is by no means exhausted. Much more could be done in Britain and elsewhere to ensure that investment plans for new

> conservation projects. Conservation cannot be a

LIBERALISING EUROPE'S AIRLINES

## The skies begin to clear

By Paul Cheeseright in Brussels

THERE IS a climate of uncertainty in the aviation industry that is no comfortable for anyone, says Marcel Pisters of the Association of European Airlines. Few in the travel industry

would disagree with him or about the widely beld view that Monday's meeting of European Community transport ministers will not do anything to alter the

situation.
The ministers will be having The ministers will be aving another peck at the issue of liberalisation and competition among scheduled Community airlines. Both those who favour the maintenance of the status quo and those who plead for a cold dose of marketplace rigour are resigned to more inconclu-sive discussion.

Yet change, so to speak, is in the air. Not perhaps this year, but maybe next. The issue for airlines now is not whether or not the cosy system of official agreements, route-sharing and profit division should be altered, but how it will be

Justice has fired its shots and retired. The European Commission, when not engaged in civil war, has lumbered into position. Transport ministers have been sniping for two years et each other. The 'scheduled airlines are well-organised and combative. The independent air companies, the consumers and the travel agents are patrolling round the edge of the battle. The situation on the ground is complex. At the centre is the industry's own control systems developed over a

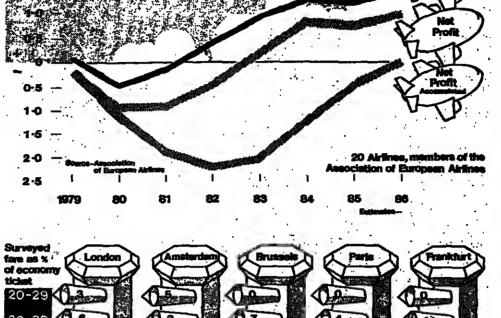
systems developed over a generation. Scheduled airline services are subject to com-mercial agreements between the airlines and bilateral arrangements between govern-ments. Under this umbrella, airline route networks have been established and have flourished.

But there is another side. The system, according to the Commission, "enables governments to ensure that their air-ines do not suffer from the operations of competitors to a degree that they consider unacceptable."

protection afforded varies but at its most compre-bensive in effect ensures that developing win rail, just as the diversally-praised selfustment a doubling tomorrow and earn forts of Mexico are failing in the traffic carried and the fragmented market, Europe is a series of the traffic carried and the market, Europe is a series of the traffic carried and the market, Europe is a series of the traffic carried and the market, Europe is a series of tween member states is divided.

A juxtaposition like this this considered normal by the modern and the fragmented market. Europe is a series of tween member states is divided. Same time the operations of the form of the form of the first the considered normal by the modern only econopic constitution. For the Europe an airline obtains eventually to the market, Europe is a series of the traffic carried and the traffic carried an be eliminated by bilateral

negotiations. Here then is a series of minicartels, against which consumer organisations, for example, have been chafing for some years. They and others argue that because the system is shel-tered, fares are higher than they need be. Why, they say, is it necessary to pay \$413 to go from Nancy to Nice when you can go from Paris to New York for \$270. How is it, they ask At this stage, the nature of that on a mileage basis the tha system comes into play London-Paris fare is 184 per again. Those who want to



Figures do not add to 11 due to incomplete data

cent of the London-Athens fare. cent of the London-Athens fare.
Following a survey of the availability of cheap—discount—fares, the Bureau European des Unions de Consommateurs (the consumers) has drawn a correlation between individual national attempts to relax the system, and access to cheaper travel. Amsterdam and consumers to start a former are cheaper to start a former to start a are cheaper to start a journey from than Brussels or Paris, or especially Frankfurt.
Dispute about fare levels is

40-49

difficult enough. Comparisons with the US are made often enough but they are not wholly valid. The US is a large single pean airlines, intra-European traffic accounts on average for only 45 per cent of the opera-tions. Commission studies have shown generally that European

air fares are not in most casea "unreasonably related to costs." Some of these costs — fuel, for example — are outside air-line control. But calculations have been made which estimate

of their costs.

At this stage, the nature of

change it argue that co-opera-tion between airlines under the bilateral agreement system leads to inertia, and inertia leads to higher prices and diminished

**EUROPEAN AIRPORTS: best fare deals** 

an easy exercise," claims Mr Karl-Heinz Neumeister, secre-tary general of the Association of European Airlines, which brings together the 20 scheduled carriers. For his, co-operation among strlines is a sine que non.

"You would be amazed how very disadvantageous it would be to the consumer if the airthat the airlines should be able lines did not work together-directly to manage 40 per cent you only have to take such basic necessities as inter-lining and co-ordinated flight schedules,"

he said.
This is the basic issue to

started manager Franz Becken-baeur publicity declared his team was no good. But now things are changing. The mass circulation Bild

Zeiptung has spent most of the

last threa weeks chronicling misadventures in the German camp — sex parties, factional rivalries and general sedition against Beckenbauer and captain Rummenigge. But yesterday.

day all was forgotten. The news-paper was celebrating with modest headlines only three inches thick, "The Miracle

which the transport ministers have to address themselves. Here is the field of battle. Cooperation or competition?

Yet that puts the choice too starkly. In the Community, noefficiency.

"In the air transport sector body is talking of a free martine presure on costs is in an ket or of de-regulation Ameriupwards direction because the can style. What they are debatonly kind of competition which ing is a measure of liberalisation and how to managa it.

can exist under the present system consists of competition on services frills, argues Mr Peter Sutherland, the Community's there is no option but to do competition commissioners.

"This system is designed so that greater efficiency brings few rewards."

"Not surprisingly, the European Court that day, the European Court pean airlines reject this in the Community, decided unapproach, just as they deny the need for radical change in the system. "What it needs if fine tuning, and this is by no means an easy exercise." Claims Mr

"The following shall be prohibited as incompatible with the common market," says Article 85: "all agreements between undertakings, decision by associations of undertakings and concerted practices which may affect trade between mem-ber states and which have as their object or effect the prevention, restriction er distortion of competition within the

common market ..."
All of which neatly encapsulates the present system of airline organisation. The

the airlines under conditions which it is the commission's

responsibility to set. Here the Court is very little help. The matter becomes political again and brings into play conflicting economic interests. But threading a way through those interests is something tha politicism have pledged to do. They are committed to a free internal market by 1992. So they need to start now. The Commission's role is

crucial for two reasons. First the ministers can only decide on the basis of Commission pro-posals, Second, there is the legal point that the Commission is guardian of the competition

The official stance of tha Commission on the airline industry is much more liberal than that of the majority of Community countries. The political reality inside the Commission is that half of the 17 commissioners, led by Mr Stanley Clinton Davis, in charge of transport, and sup-ported by those dealing with consumers and Citizens Europe, want to move very slowly.

So it is not clear whether the Commission as e whole has much stomach for the dispute. That will become more apparent after next Monday's ministerial meeting. If there is no progress towards a common air policy than the Commission. air policy, then the Commission is committed to taking action against the airlines for breaches of the competition regulations. But what constitutes progress?

Mr Sutherland, the Community's competition commis-sioner has his letters of complaint ready to send out to all the scheduled airlines of

to all the scheduled airlines of the Community except those of Spain and Portugal. They would demand changes in working practices as e price for not having the competition rule-book thrown at them. And the changes tha Commission would demand are those which are in its liberalisation proposals before the transport ministers. These include freedom for the airlines to set their own economy fares in accordance with their own appreciation of the market and in relation to their costs, as well as freedom to set discount fares — within limits — without official approval.

account if the airlines do not have also the freedom to increase their capacity. The general pattern now is that on any given route airlines will share capacity 50-50. The Commission, egged on by the UK and the Netherlands, wants to ensure that there will be no governmental intervention in a bilateral agreement until the share of one airline falls to 25 per cent, or until it starts to fall rapidly, say, by 5 per

cent a year. Such a change, it is argued,

catch is the absence of an would give a new flexibility to agreed regulatory form under the bilateral agreement system which the competition might take place. The complication is the availability of an exemption from the rules for the UK and the Netherlands. There are shades of opinion, of course, with Itsly and Greece thought the most conservative.

Over the last fortnight a over the last fortugate a consensus has been developing around Franco-German proposals permitting for an experimental period a 45-55 split. It will be rejected by the British and Dutch out of hand. There is a recipe for deadlock.

It is because of this that the consumers organisations, for example, believe that the Commission has no choice but to try and force agreement by bringing pressure on the airlines, and hence on the governments because many airlines are state-owned, by going down the legal route.

The Commission may indeed think it in its own interest to de so. Since the European Court judgment it is open to court judgment it is open to actions against itself for failing to take its responsibilities under the Treaty of Rome. The consumer body, EEUC, is thinking of taking tha Commission to court sion to court.

Yet, even assuming evaporation of this dispute, the degree of liberalisation secured would be strictly limited. What are missing from Commission pro-posals dating back to 1984 are ideas on opening up existing routes to new carriers. For the liberalisers this is tha

key issue. Opening up the routes to those who want to fly them would provide precisely that ele-ment of competition which the bilateral system by definition excludes. The UK wants this as

as part of any air transport political package.

Mr Clinton Davis last Decem-ber promised that the Commission would in early 1986 bring forward proposals. They beve never been produced despite urging even from France and Germany and despite the fact that drafts have been available inside the Commission for ebout

eighteen months,
Tha airlines are now desperate to have all these issues resolved. They want to avoid legal battles with the Commission although they have that they have a carrier know that they bave a certain amount of protection against rapid change both because of the uncertainties in the Commission itself, and because of the long drawn-out nature of the legal process.

approval.

Among the politicians there is not too much of a problem about greater freedom to set fares. But that is of little limited for British Airways and British Caledonian — of the sirring of the sirring do not regater freedom to set discount greater freedom to set discount fares, formalising in fact what practically takes effect.

The airlines are in a better

STATE OF LEE

The airlines are in a better position, however, to accommodate change. The dog years have passed and gross revenues, collectively, topped \$20bm for the first time last year, to produce operating profits of \$1.2bm. The figures should be higher this year and the latest retirements wender a steady \$4. estimates predict e steady 5.4 per cent growth in European traffic over the next five years.

#### People who are making a mark

TWO members of the Holy family have just gained fame as the highest paid company directors in Germany. According to an annual survey by the newsweekly Der Spiegel, Jochen and Owa Holy, the two-man board of textile company man board of textule company Boss, paid themselves a total of £1.3m in salary last year receiving another £4.8m in "distributions" as majority

shareholders.
Chlef executives like
Eberhard von Kuenhelm of BMW have long been in the Mark millionaire class (aarning over £298,500), but an increasing number of rank and file board members are joining that league. Directors at Bayer and Volkswagen now collect over e

million marks apiece.

Work on supervisory boards provides extre income for directors without involving any great effort-attendance at only one or two meetings e year may suffice, For example, Friedrich witheim Christians makes close to £450,000 a year (DM 1m as a member of the Deutsche Bank board, plus another haif million from the supervisory boards of

other companies).

Penury in old age does not seem to be a problam for



"I'm not so much a dairy

### **Men and Matters**

German directors. Steel company Hoesch is actually paying more to retired directors (£1.67m) than to its present board (£1m). Volkswagen end chemicals company Hoechst each pay their pensioner directors a total of £1.5m, while Dresdnar Bank hands out over £2.7m a year to ex-directors and their dependents.

All this is product by Pasis.

All this is modest by Boris Becker standards, the directors are quick to point out. "In Germany there is a fear of giving outstanding rewards to outstanding individual performers," says a consultant.

High note The big-boned tenor Luciano

Pavarotti, whose depth of voice is matched only by his girth, has played, and slayed, Peking. Insteed of the habitual polite applause and early exit, the audience shouted "bravo" and "molto bene" in Chinese-accented Italian, stamped feet, clapped in time, and generally

displayed a rarely seen enthusi-Pavarotti, who took two Italian cooks on the trip to help keep him in shape, responded by learning "xie xie," the Chinese for "thank you," and delivered the line with gusto. For some Chinese, the first concert on Tuesday night was

a good excuse to experiment with the enuncry's market referens by touting tickets at up to eight times the original Not one for politics, Pavarotti had no particular observations on artistic freedom in China, other than that "I only see Smiling faces" and "bappiness and laughter."

Final." Bonn is rarely the place to take the throbbing pulse of modern Germany, but even there the natives are stirring Chancellor Kohl, doubtless with the January elections in mind, is jumping on a plane to be at Mexico's Azteca Stadium for the great event.

The moral of it all is that

German football teams are like German companies and their products, stodgy and late into the market, perhaps—but when they get there they take some beating.

iCl's mission Just in case the masses did not know how to handle the occasion, the Peking evening newspaper published s guide to audience etiquette, explaining ICI's chalrman-elect, Aberdoman Denys Hendarson, is starting to look like a man with a mission. ICI products, and

consumers, but to the public.

Henderson spent some formative years in charge of the group's paint division, which is almost alone in the group in selling branded goods direct to the consumer. The success of the division's advertising—for much of the British public, a certain brand of sheepdog immediately recalls the name Dulux—evidently made a lasting impression.

He has just appointed the

He has just appointed the marketing manager of ICI's consumer paints business, 44-year-old Anne Ferguson, to a new post as adviser to the Rather late in the day, the West Germans are beginning to cast off a reluctance to enthuse over their football team's progress to the World Cup Final.
Until Wednesday's relentless demolition of the French, the success of the soccer team had been a source of embarrassment. Before the tournament group on corporate publicity

and marketing. Her first six mnoths will be spent looking at ways of swap-ping marketing know-how around the group, and investi-gating what kind of image ICI should be trying to project around the world. Besides her marketing experience. Ms Ferguson may have another asset under the new regime. Back in the early 1960s

after an initial year as a mar-keting trainee with ICI paints she went off for three years to Nigeria as a school teacher. Henderson, brought up as a child in Sri Lanka, insists that cana in Sir Lanks, maste that he wants ICI to stay the most international chemical com-pany in the world. Stay-at-homes, it would seem, need not apply.

#### Home in Rome

It is nice to have home thoughts when ebroad. If you are British and in Italy and have to ring the British Embassy in Rome you now get a recording of Land of Hope and Glory. It makes a change from the engaged tone wisch is boringly predictable in view of Italy's overloaded telephone system.

#### Final solution

Written on a wall in Cambridge: simply lose their faculties."

Observer



THE BRITISH Conservative Party is embarking on a long internal debate about the next election manifesto—the one designed to win a third term. How far should it be radicel and how far should it seek simply to consolidate any gains made in the last feat years.

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**W** 

uell.

:500

471

The Tory Party Is not alone in this dilemma. Nor Is the debate confined to Britain. It is common to all the mainstream parties in Western Europe, left, right and centre. The fact is that the fire has gone out of radical politics. The radical right is lacking in new ideas and the left has ceased to be radical. There is a newly emerging consensus that governmerging consensus that government is about good manage-ment, ideology is superfluous.

made in the last few years.

This is not necessarily a bad development, but it ought at least to be recognised that it is taking place in order to get the best out of it.

It is possible to construct a theory that after the turbulence of the past two decades or so, electorates want a quiet life.

There were the student riots in the late 1960s which shaped the young left especially, but not only, on the continuent. There was the oil shock of 1973, which slowed down economic growth. There followed what the grown. There followed what the Economist first called "stagfiation." In the 1980s, there was the curious acquiescence in high unemployment while inflation was being subdued and public expenditure brought under control. Now is the time to consolidate.

One can see it all over Europe. It does not matter whether the Left or the Right is in power or whether there is some form of coalition; the pollcies are broadly the same. In Spain, for example, last Sunday the Socialists were reelected with e reduced, but still overall, majority. The Government has been pursuing an economic ensterity programme. The Spanish unemployment rate is just over the Government of the Government. employment rate is just over 20 per cent. Yet the Government was returned, partly because the opposition parties were divided. There must also have been an element of "safety first." The Spanish Socialists under Mr Felipe Gonzalez have ceased to be particularly left-wing.

In France the move away from in values, as well as the ambithe left happened earlier. President Mitterrand reversed his tion about where power lies, more radical programmes of may pull it apart, as the next nationalisation and seeking to Presidential election apgo it alone economically, shortly proaches. But in the meantime after he came to office. In the combination does not seem the process he dished the to make the French people nationalisation and seeking to go it alone economically, shortly proaches. But in the meantime after be came to office. In the combination does not seem the process he dished the French Communist Party which was originally a coalition partner and now looks like a spent force.

After this year's National Assembly elections there is a Socialist President and a rightwing Prime Minister in Mr Bettino does not seem to make the French people terribly unhappy.

The Italians have a Socialist Willoch, who used to be described as the Norwegian Craxi. He, too, has been confirmed to make the French people terribly unhappy.

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After this year's National Assembly elections the left is making any great the majority and with the Christian Demo-Socialist President and a right wi

**Politics Today** 

## How the fire went out of the parties

By Malcolm Rutherford



In France the move away from rivalries, as well as the ambi-

left is probably on the retreat.
In West Germany the retreat began some time ago. The conservative Chancellor Kohl keeps winning elections. It is possible to argue that he does so because the left is disintegrated: the emergence of the "greens," for instance, bas not helped the Social Democrats. He is also saided by the country's electoral aided by the country's electoral law which allows representation in Parliament to any party win-ming 5 per cent of the votes and

It is very unlikely that the Social Democrats will win an overall majority in the federal elections next January, despite the fact that they are not even campaigning on an especially radical programme. They would like to be respectable, Chancellor Kohl is more so.

There are other examples. In

There are other examples. In Austrie it is said by those on the spot that the election of Mr Kurt Waldheim as President bad nothing to do with a domestic reaction against outside allegations of pro-Nazi activilles during the Mari It was a water during the war. It was a vote against the Socialist government of the day.

The small Irish Labour Party The small irish Labour Party says that its wings have been totally clipped by being in coalition with Dr Garret Fitz-Gerald's Fine Gael. It has become associated with economic austerity and wants the freedom of opposition to rethink its approach

account the cost of adding infrastructure, moving people, plus
inner city costs such as unemployment, vandalism and
numerous aid measures, "taskforces" and "urban development corporations," it is proving a costly exercise, to say
nothing about wasting a scarce
resource.
Alan C. Hollway,
42, Grafton Street,
Liverpool, 8.

From Mr G. Kramers
Sir,—The Eurobond market,
untit now, has considered itself
supranational. Originally known
as the Eurodollar market, its
existence has never been recognised in the US and its ectivities are not recorded in that
country's statistics. Nor are they
recorded in the UK statistics
so that when money is borrowed
through the Eurobond market
it is as though the money has
been borrowed from abroad
and it increases the money
supply.

The increase

in M3

advances. On the contrary, some of the Christian Democrats are much. The predominant strand happy to aerve under Mr Craxi in West European politics is in the hope that the Communist government by the centre-right, even if some of the particular than the contract of the contract of the particular than the contract of the contract of the contract of the particular than the contract of the contract Socialist.

How does Britain fit into the pattern? The answer is all too well. Since Mrs Thatcher be-came Prime Minister in 1979, came Prime Minister in 1979, the entire ground of British polltics has shifted to the Right. Even the small British Communist Party, though split, acknowledges the shift and is not absolutely opposed to it. The official party has become Euro-Communist, which it never was in the 1970s.

In the bigger leavue the for-

never was in the 1970s.

In the bigger league, the formation of the Social Democratic Party hes had effects which probably its founding members did not foresee and may not yet have fully appreciated. After 1979, and especially after the general election of 1983, the Labour Party was seen by the Social Democrats as e dying force. It was the SDP-Liberal Alliance that was to be the main challenge to Conservatism. vatism.

When be became SDP leader,

When be became SDP leader,
Dr David Owen actually sought
to ont-Thatcher the Prime
Minister on the social market
economy. True, there was more
emphasis in his version on the
safety-net: toughness and
tenderness had to go together.
But there was no mistaking the
abift to a belief in market
forces. Recently he has shown
an essentially Tory faith in the
need for independent British
nuclear weapons.

radical or to seek to consoli-date, the Conservatives bave a genuine dllemme. They could campaign on the slogan that Labour bas not changed, though it is doubtful how many people would believe it. They can hardly campaign solely on the basis of their record so far, because after seven years it is not self-evidently good enough.
Unemployment is far too high
for the Tories' electoral com-

debale whether to be more

fort; so is the uneasa about depressed public spending on bealth, bousing and schools, even if the popular belief is not wholly borne out by the

That suggests thet the perly wili bave in go for a new wave of radicalism. Yet it is remarkof radicalism, let it is remark-able bow few ideas are around. Educational vouchers perhaps, but it is doubtful how far it would be a vote-winner and could hardly make an entire electoral programme. Systematic tax reform would he a possibility, though Chancellor Lawson seemed to come down against it this week.

against it this week.

The linking of tax and social security benefits as computerisalism takes over ought to be a runner, but is already the property of the Alliance. The extension of populer capitalism is another, but is open to the charge that it will do nothing for those who have not done well out of Mrs Thatcher's administration.

Mr Peter Walker, the Energy Secretary, spoke yesterday of the future of nuclear power, but it is very controversial. Even some Tories do not like it on their doorsteps.

Defence may be different. Because the Labour Party wants to abolish British nuclear weapons, and the Allience is

weapons and the Allience is divided on the subject, the Tories may have an asset. But Tries may have an asset. But it is still only one Issue.

Thus while the left has ceased to be left, the radical right may have run out of steam. Perhaps Mrs Thatcher's main achievement will be to bave created a new common ground called, for want of a better term, "centre-right."

Since most of Europe seems Since most of Europe seems to be in much the same position, it is time for another push towards greater European unity. All parties now accept the European dimension. At the same time, they admit that Europe collectively is much weaker than it ought to be.

We should realise how far we have come. The fact that there was a democratic elec-

Lombard

## A lament for old-time banking

By David Lascelles

questioned, that the whole process is A Good Thing: that the by a more equal mixture of the changes will bring greater depth and efficiency to the UK capital markets which will in turn benefit borrowers and interest and brown the country's must be that in the right to vestors, and boost the country's must be that in the rush to economic health.

miracles with capital markets quite obviously less well-developed than those in either London or New Ynrk. By the same token, the supposedly mure sophisticated capital markets of the UK and the US have not exactly put them at the top of the international growth league.

The conventional answer to this well-documented paradox is that each country develops a financial system based on its customs: in Germany and Japan the banks traditionally play a bigger role in supplying finance, so the capital markets play a smaller role. In the City and Wall Street it tends to be the other way round.

But if it is true that the UN's

But if it is true that the UK's markel-based system of finance is at least partly responsible for the country's poor economic record, why try to reinforce and develop it further through the Big Bang? Instead of playing up the capital markets side, the more sensible course might he to study the German or Japanese example: encourage banks to expand their tradi-tional lending role, and slife the markets a little.

respons.

Yet after 1983, the Labour Party also kearned some lessons. It is no longer the anti-market economy, anti-European party of the past Indeed one would expect Mr Neil Kinnock, the party leader, to make pretty clear et the next Labour Conference that he is almost entirely committed to continuity. It could even the entirely committed to continuity. To could even that spain is a member of the European Community and Nato is a considerable advance of the post-Big Bang, and is certainly not as lurid a prospect as some of fulfilling Labour promises, the Party is being quite then to ungot to be.

We should realise how far the fear that the same time, they admit that European dimension. At the same time, they admit that European Connect that the same time, they admit that European Connect that the same time, they admit that European Connect that the same time, they admit that European Connect that the same time, they admit that European Connect that the same time, they admit that European Connect that the same time, they admit that European Connect that the same time, they admit that European Connect that the same time, they admit that European Connect that the same time, they admit that European Connect that the same time, they admit that European Connect that the same time, they admit that European Connect that the same time, they admit that European Connect that the same time, they admit that European Connect that the same time, they admit that European Connect that the same time, they admit that Eu

IN ALL the excitement round to the bellef that capital generated by the Blg Bang is supplied more efficiently by there is an assumption, seldom markets than through interquestioned, that the whole promediaries like banks, or et least

stimulate markets, the world is Yet as any visitor to either losing samething by down-West Germany or Japan cannot grading the traditional role of help noticing, both those hanks. It is all very well far have achieved economic those fast-talking investment hanks. It is all very well for those fast-talking investment bankers who now dominate the financial scene to talk of the infinite "flexibility" of finance available through swaps and other new-fangled instruments. Historically, the record suggests that by far the most effective form of fluance is that created in a close partnership between a company and a good hank which understands its needs

It might be difficult for the British (and certainly for Americans) to accept the notion of hanks going so far as 10 supply equity finance on a large scale to their corporate customers. Even in Germany and Japan, where this is quite and Japan. where this is quite common, it gives rise to frequent controversies over the power of the hanks, whn end up nwning and controlling vasi areas of industrial territory. But it has not been debated in the UK as a possible alternative to him Bang, and it contains to Big Bang, and is certainly not as lurid a prospect as some of the post-Big Bang scenarios now being contemplated.

#### Perspective on South Africa

From the Chairman Anglo American Corporation
Sir,—The general emotionalism surrounding the South
African position doesn't belp
maintain perspective and the

balance your leader on sanc-tions of June 25.

A main issue is whether apartheid is being expunged from the statute books. This needs to be distinguished quite clearly from the question of what is going to be put in its place. The former is wiping the slate clean: the latter reform, As about 96 per cent of the population of the country is in favour of removing in the population of the country is in favour of removing institutionalised discrimination based on race, I believe the removal of its remaining elements will follow the significant progress made so far this year. In my view the state President would not have committed himself to this course of action and exposed his right fiank if he did not intend to carry through.

carry through.

But all this is easy compared But all this is easy compared with the next step, which is negotiation towards a new society and the constitutional structure, which will allow it to operate. Easy conventionat democratic solutions will not fall happily into place, dead or dying apartheid notwithstanding. With our highly complex agglomeration of existing and emerging power blocks, I would judge that a proper negotiation would take several years, and if would take several years, and if this seema an overlong time, I would judge that simple "quick fix" solutions are unlikely to ba effective or permanent or democratic. I doubt that the international community for all its urge for apeed really wants

Nor should it want to adopt

a course of action which bes the effect of further inhihiting economic growth in South Africa. No process of negotiation can take place successfully against a backdrop of diminishing wealth and as It is we are severely constrained by our international debi problems. Effective sanctions will guarantee that in the long run we have revolution. Gesture sanctions, while they may assuage all sorts of feelings of rage and frustration or intend admonishment, punishment or retribution, will take the international community onto a slippery slope of action, which may not be controllable and which will certainly contribute in the greater impoverishment of Southern Africa as a whole. Greater dirigism in inter-national commercial affairs, which is what sanctions amount to, is undesirable on

any account.
Gavin Relly.
c/o 40 Holborn Viaduct, EC1.

From Mr R. Clark

#### Letters to the Editor

the Finance Bill to gifts to discretionary and interest in trusts stand rather on their own and I do not quarrel with that decision; in standing committee Mr Peter Brooke said that the retention of the charge on transfers to interest in possestransfers to interest in possession trusts was necessary to protect the death charge hecause of the possibility of funds being routed "to a discretionary trust via a temporary interest in possession trust to a man of straw." One sees his point. What seems totally unjusti-

what seems totally unjusti-fiable is the retention of the charge on the release of life interests under existing interest in possession trusts. It is very in possession trusts. It is very common for fathers to give or leave property ebsolutely to their sons but to settie it on their daughters for life with remainder to their childran. In such families the son can give his property to his children free of tax, the daughter who has less to give away caunot give away even that which she has, without paying tax, yet when she dies the fund will be taxed as if sha owned it absolutely. I cannot see how that discrimi-I cannot see how that discrimi-nation is needed to protect the

nation is needed to protect the death charge.

I hope the Govarnment will decide to remove it et the report stage.

R. J. Clark.

Howard Tilly & Co.

1 New Oxford Street, WC1.

Green Belt or inner city

From the Chairman, Liverpool and Merseyside Branch, Institute of Directors
Sir,—There appears to be mounting pressure to build on Green Belt land, particularly around the M25 motorway.
It would be the height of the forethe Government to give

folly for the Government to give in to this pressure by granting planning permission, while there are many millions of 5q ft

It is poor utilisation of our resources to allow development on green field sites, which thereafter require infrastruc-ture, such as roads, houses, schools, libranes, services, ctc., when this is available and under

and it increases the money supply.

In the autumn the clearing banks obtained fresh "capital" on the Eurobond market and the \$3.5bn of "perpetual floaters" that they issued between them were duly recorded as a large increase in the money supply as measured the money supply as measured. the money supply as measured by M3. In recent months one or two of empty industrial buildings in inner citles.

In recent months one or two banks have issued more "perpetual floaters." Now free to dn so, the building societies beve borrowed a lot of money on the Eurobond markets. Many UK companies have also raised large amounts and all these borrowings have increased the money supply as measured by M3.

The Press and the analysts. The Press and the analysts employed by firms of stock-brokers all seem to heve been

The UK has only played host to the Eurobond market since its inception but after October 26 as part of Big Bang the UK will embrace the Eurobond market which will then be subject to the Securities and Investments Roard

exempt transfer is denied by the Finance Bill to gifts to discretionary and interest in possession trusts. Discretionary green-field aites. This would have to be in conjunction with auctioning off the freehold, of all derelict public-utility land, to produce an alternative low cost base to attract investment.

There would need to be e safeguard provision, that if any auctioned land hadn't been developed within, say three years, the company which sold the land had the right to buy it back at the same price or market price if lower.

It may appear cheap and convenient to build on green-field sites: but, when one takes into account the cost of adding infrastructure, moving people, plus statistics which it publishes. If not, when the Government horrows money on the Eurobond market — the money supply will be increased as the money will have been borrowed abroad.

abroad. G. H. Kramers, Partingdole Lodge, Portingdole Lane, Will Hill, NW7.

Government provision

From Mr T. Arthur
Slr,—Three cheers for Mr B.
H. Fish, who points out (June
23) that Governments do not
provide; they allocate resources
extracted by force from the
taxpayer. All members of government implying anything else should be reported to the Advertising Standards Authority and, if they persist, unfrocked A major current example of this deceit lies in employment where the Government, even where the Government, even this government, is always "providing 50 or 500 jobs in somewhere or other" (with infrastructure the flavour of the infrastructure the flavour of the year). Since (a) government can spend only what it first extracts (b) virtually the whole of its extraction is levied on voluntary exchanges and (c) voluntary exchanges reduce as taxes rise, it follows that the activity of taxation and government engling is a net destroyer. ment spending is a net destroyer of exchange i.e employment (think of the employment

resulting from a tax rate of 100 per cent).
Mr Fish is also right to argua
that the constant references to
government "provision" largely
account for the misconceptious
ebout the functions of government. This is why the most important thing to privatise is education, so that the vested interests of the public sector do not contaminate fundamental attitudes. It is also why such privatisation will never happen

on a major scale! T. G. Arthur, 17 Highfield Road, Edgbaston Birmingham.

Pre-occupied with old money From Mr G. Smith

Sir,—Judging by your pages and by the flood of unsoticited of Southern Africa as a whole.

Greater dirigism in international commercial affairs, which is what sanctions amount to, is undesirable on any account.

Gavin Relly.

C/O 40 Holborn Viaduct, EC1.

Inheritance tax

From Mr R. Clark

Sir,—The status of potentially

when this is available and under utilised in inner clies.

Even more important, it is poor utilisation of people: isn't it inevitable that there will be may account, it in levitable that there will be high unemployment in inner cities, while most of the new developments are in, the suburbs and beyond?

It is time tha Government figures for M3 the amount of the figures for M3 the figu

# MITTERENTAL

ROM today companies, partnerships and private individuals have a new source for financial services - the UCB Group. As Commercial Credit, the Group has been active in Great Britain since 1971, offering invoice discounting, commercial mortgages and equipment finance to businesses, as well as homeowner loans and mortgages to individuals. The acquisition earlier this year by Compagnie Bancaire and its associate Union de Crédit pour le Bâtiment gives new strength and a powerful base from which to extend and improve the range of financial services.

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## **FINANCIAL TIMES**

Friday June 27 1986



David Housego assesses the Chirac Government's first 100 days

## Cohabitation not easy to live with

celebrating his first 100 days in office this week with all the damp bravado that goes with a first night that has mistired. Notwithstanding, there is a noticeable confident bounce to his stride.

For if Mr Chirac has emerged with indifferent notices from the first act of France's experiment in "cohabitation," he none the less be-lieves that he is in a strong position to upstage his cohabitee, President François Mitterrand, in the latter part of the drama.

The most tangible sign of Mr Chirac's failure to generate the handwagoo effect that be had hoped for is his slipping popularity in the opinion polls. President Mitterrand's rating, on the other hand, has climbed back close to levels that he achieved in the euphoria of the Socialist victory in 1981.

The wave of confidence that Mr Chirac and his friends believed would follow the right's return to now the victim of disappointed expectations and uncertainty over whether the Government can both

Mr Chirac has put through many measures, such as denationalisation and the freeing of price and foreign exchange controls, which are needed to help companies and to remove some of the rigidities in the French economy. But other legislation, such as the sale of the

BY PAUL BETTS IN PARIS

next year to boost its efforts to be-

come a dominant supplier of chip

The move, disclosed by Mr Herve

Nora, chief executive of CP8, smart

group, comes at a time when Japa-

nese manufacturers are stepping up competition in the emerging US

Bull and Casio are already com-

by MasterCard, the credit card or-

ganisation, which is experimenting

with the use of smart card technolo-

gies in the US. MasterCard is test-

ing Bull's system in Columbia, and

the Casio card in Palm Beach, Flori-

de Results of the MasterCard tests

involving 25,000 card bolders in Coumbia and 15,000 card holders in

eting in a major test programme

card subsidiary of the state-numed

cards in the US market.

BULL, the French computer group, also being tested by health care services, the US Agricultural Departmemory-chip "smart cards" in the US at a new facility at Dallas early Royal Bank of Canada. Mr Nora

MR JACQUES CHIRAC, the TF1 television channel, tougher nounced French Prime Minister, has been penalties for terrorists and new inpenalties for terrorists and new incentives for housing construction, has produced an indig from which Mr Chirac's image has

> At the same time, measures such as the abolition of wealth tax and the easing of redundancy proce-dures have been unpopular, seemingly pitched towards Mr Chirac's supporters among businessmen and the rich. An aggressively con-servative profile will make it harder for him to carry through the painful industrial restructuring needed in the car, shipbuilding and steel sec-

> The advantage of Mr Chirac's high-pressure legislative tactics is that most of his programme will have been pushed through parliament by the end of the summer, thus reducing Mr Mitterrand'a ability to lay spares across his path.

> Most forecasting institutes share the Government's view that the modest recovery in investment will continue to strengthen. Consumer spending is again rising - even if there is a danger that much of it will be drained off into imports.

The April devaluation of the franc and the recovery in export markets are likely to have their effect next year.

Inflation should continue to decline if the Government remains successful in holding down wage in-

said a number of states were inter-

ested in using the card for driving

Rull claims that it is at present

the world's only manufacturer of self programmable one-chip mic-

roprocessor cards and that it is cur-rently well in the lead over its

competitors in this new electronics

market. The smart card was origi-

nally invented by Mr Roland More-

slowly come into industrial produc-

Bull's Japanese competitors cur-rently produce cards with two mic-

roprocessors which are more costly

and less secure than Bull's mono-

chip, Mr Nora says. Philips, how-

ever, produces monochin cards un-der an agreement with Bull.

Although Japanese manufactur-

ers claim that they will soon be

marketing monochip cards, Mr No-

ra warns that they will first have to negotiate with Bull a licence for

these cards since the French com-

pany owns the patent on the mono-

mounting a major marketing cam-paign in the US and are also trying

no. a Frenchi

tion in recent years.

chip card concept.

Mr Nora says the Japa

schemes, this improvement should help contain unemployment and possibly begin to reverse it. Senior Socialists are now beginning to say that they would have trouble fighting an election campaign on the ba-sis of the Government'a economic

In any case, Mr Mitterrand knows that he cannot afford to be seen to be systematically blocking Mr Chirac's Government. As his close supporters say, be can use his "heavy artillery" once only. With the summer holidays coming up and "cohabitation" still popular in the country, the moment has clearly not yet arrived.

Mr Mitterrand suffers from another major handicap. His strongest card is the threat of his own resignation, which would bring forward the May 1988 presidential

But should Mr Mitterrand resign, his departure would leave all the levers of power in the hands of the right, at least for the three weeks of the presidential campaign, with Mr get debate could present an oppor-Chirac as prime minister and Mr tunity for Mr Barre to add his si-Alain Poher, the conservative President of the Senate becoming inter-Im President.

Mr Mitterrand would none the less step down if he saw a real pos-sibility of a left-wing candidate win-his bid too late, Mr Barre will leave ning. The one serious "open win-

to play for time to enable them to catch up with Bull's advance in this field. Japanese smart card makers

include Casio, Nippon, Mitsubishi, Citizen, Toshiba, Toppan, Kiodo Printing and Fujitsu.

Bull has already set up a market-ing subsidiary at Dallas, Micro Card Technologies. Its US opera-tions will now be backed by the new

Mr Nora said CP8 had an order

backlog of 20m cards, far more than

any other card manufacturer. Its

biggest single order so far is the

supply of 12.5m smart cards for the

French banking system between now and the middle of 1989. The or-

der is worth about FFr 320m

(\$45m). Philips is also supplying the French banking system with 4.6m cards under this programme.

Because of France's advance in this field, Mr Nora says that the

West Germans have also tried to

stall the market to give themselves time to catch up. Indeed he regret-ted that the Germans had "not play-

ed the European game" in this sector by so far not agreeing to harmo-nising European standards. Instead of opting for the European standard

bave so far favoured the Japanese

Behind West Germany's reluct-

standard, claims Mr Nora.

noted by Bull, the Germans

manufacturing facility.

Bull to make 'smart cards' in US

youth employment seen as failing to give Mr Chirac's inprovement should Government a fair chance. After the middle of next year, it would be too close to the scheduled date.

Thus all sides are pulling up their sleeves against the eventuality of an election early next year. The So cialists, who meet in convention this weekend are to step up the pressure on the Government in the autumn when the 1987 budget comes before the National Assem

Mr Chirac is having increasing difficulty in reconsidering his pledges over cutting taxes, public expenditure and the budget deficit. He may well take the easy way out by financing part of the budget cuts from privatisation receipts.

For the Socialists to have a chance of destabilising Mr Chirac, Mr Raymond Barre, the former Prime Minister and a critic of "cohabitation," must break ranks with the Government. With this in mind, the Socialists have been wooing the "centrists" in the parliament, Mr Barre's natural followers. The budlence, but if be were to be seen scuttling a right-wing government it would damage is own chances as a presidential candidate.

On the other hand, if he leaves the field open for Mr Chirac, In part dow' for an early presidential elec-tion is in the early months of next Together with the recently an-year. Sooner than that would be Barre dare not make his move.

still behind Bull and Philips in the

microcard business. At the same

Among other recent or upcomi

deals, Mr Nora said that in Italy the

Venice area was interested in smart card applications for the health ser-

vice and that Italy was also inter-

driving licence. Italian banks have

also been experimenting with the

Elsewhere, Crédit European

chip cards in Laxembourg. The con-tract involves the supply of 30,000 Visa payment cards with an em-

## TV reform proposals divide **British Cabinet**

THE PEACOCK Committee into the financing of British broadcast-ing has recommended that all 15 regional commercial television franchises should be put up for auction when the next franchise round is due in 1988.

The recommendation has led to serious disagreements between senior Cabinet ministers over how much of the Peacock Committee report on the future financing of Brit-ish broadcasting should be accept-

Mr Douglas Hurd, the Home Secretary and the minister responsible for broadcasting policy, told a Cabi-net sub-committee on Wednesday that he wanted to reject immediat ly and publicly the underlying free-market philosophy of the report and several of its specific recom-

Mr Hurd is believed to have ar gued that the auction idea had to be rejected immediately. He is due to make a statement to the House of Commons next Thursday when the report is expected to be published. He is believed to have told Cabinet colleagues that the committee did not appear to have understood the nature of public service broadcasting, had gone beyond its brief and bad produced a mixture of incom-patible proposals which would offer very little obvious benefit to the

If Mr Hurd had gone ahead with his draft announcement it would have amounted, however diplomati cally worded, to a stinging rebuke of the work of the committee. ance to agree to European stan-dards is the fact that Siemens is Other Cabinet ministers, how

ever, were more appreciative of the microcard business. At the same report produced by the committee time, Germany has tended to opt in set up by former Home Secretary, the bank credit sector for the Euro- Mr Leon Brittan, and chaired by cheque system rather than the MasterCard of Visa card systems, which University.

have a clear interest in smart card Mrs Margaret Thatcher, the Prime Minister, is believed to have been initially disappointed that the report was not radical enough but to have had her attention drawn to its long-term implications.

The aim, in a three-phase pro ested in the Bull card for use as a the century to take British broadcasting completely into the free market so that eventually individual television programmes are bought by the consumer in the way signed a contract this month to use that books are now.

Mr Hurd has now been asked to redraft his proposed Commons statement and tone down the criti-

In the Peacock Committee's first Bull says that Credit Europeen is phase, the BBC would continue to the first large financial institution outside France to generalise the use depend on its licence fee as the prime source of funding and would of the Visa chip card. Bull is also nenot be required to take advertising on BBC television. In the second gotiating contracts for applications ranging from telecommunications to banking and other services of smart cards in Switzerland, West phase, depending on the develop ment of technology, whole channel would be encrypted and viewers would buy a channel of pro-grammes at a time as they now buy Germany and Norway, among other a collection of articles in a newspi

> would be able to buy individual pro-grammes with a form of "smart card" and free market in pro-grammes would be created and broadcasting "liberated" as books and newspapers once were.

#### ITT in talks on European telecom deal

Continued from Page 1

share of 16 per cent. Although the industrial partners have now agreed on the details of the deal, the AT&T-CGE deal still hinges on French Government approval.

The AT&T deal at this stage is by far the most advanced and only awaits French Government approval. But the Government has been stalling apolitically controversial decision to let AT&T into the French public exchange market and has been looking at other possible solutions involving European or other American manufacturers including Ericsson, Northern Telecom

CGE says that no agreement has yet been signed with ITT and that the companies are still discussing the proposals. But if the deal eventually works out, it would create a telecommunications grouping with about 12 per cent of the world mar-

However, French industry analysts suggest that the ITT negotia-tions could also help Mr Pebereau in his efforts to clinch Government approval for his tie-up with AT&T.

"Aithough the two deals are separate and in some ways complet tary, it puts pressure on the Gov-ernment to make up its mind on at least one of the deals," one analyst THE LEX COLUMN

## Don Giovanni in the fens

Mr Raul Gardini has been picking up sugar-refining capacity in Europe with such promiscuous abandon that it is remarkable that no Leporello has sung of his conquests: a million tonnes in Italy, a million tonnes in France, and in England - if the Monopolies Commission ever permits Ferruzzi ownership of British Sugar - a milion and a bit. Yesterday's performance in Lon-don was full of charm. A bit of waf-

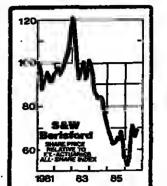
con was rull of charm. A fit of wai-fie about ethanol to keep the UK growers sweet was followed not by the expected bid for British Sugar but by an innocent request for a reference. Feruzzi has correctly recognised that British Sugar has become a national monument and has taken a leaf out of Tate & Lyle's book in triggering a Monopolies Commission inquiry. It may have gone a stage further in saving itself the bore and expense of naming a fanciful price let alone of underwriting a cash bid; but, no less than Tate, it is seeking to make respec-table a concentration of ownership that would be utterly unacceptable

in any other market.
It is hard to know which is most distasteful: the Tate or Ferruzzi projects or the mysterious role of Energy the market's intuitions Hillsdown. For sugar users, Ferruzzi ownership is no more preferable to a complete UK monopoly for Tate. With BSC, Ferruzzi would control not only the UK's lowest-cost producer but also, through its

overwhelming position in France, the major alternative source of sup-ply. Tate may not be making quite as little money on its cane refining as its interim figures suggest, but its structural margin disadvantage would make continued competition with Ferruzzi/BSC a probem.

In truth, too much is being asked of the Monopolies Commission. Any recommendations would have to take account of the European canerefining margin, Italian accountan-cy practice, the possibility or not of a buy-out and the intentions of Hillsdown. Even a general plague on bidders will be no guarantee of a solution: Mr Gardini does not seem an impatient man and could still spin a truly Milanese web of hold-ings round British Sugar.

The decision of the Opec oil min- BPB Industries ister to spend yesterday afternoon picnicking on Tito's island retreat was probably the correct response



to the oil market situation. With Opec producing about 2m harrels a day more than required to bring supply and demand into balance, what need of words? The only mystery is that forward prices for crude oil are ahead of the spot price, despite all the portents of disaster in the third quarter. Opec meetings do not trouble the London markets much these days: no longer are oil analysts required to attend morning meetings in the gilts depart-

in the case of Industrial Scotland verge on the pyschic. In the past few weeks the shares had doubled to 85p, while the rest of the oil independents stagnated. So an agreed 90p a share cash offer from Texas Gas Resources will not have raised many eyebrows in the City, apart from the quotations department of the stock exchange. The more material regulatory authority may turn out to be the Department of Energy, which has not awarded plum licences to small UK oil companies so that they can later be tak-en over by less favoured foreigners. Although it is highly unlikely that the department would invoke its right not to transfer ISE's UK licences to Texas Gas, It would be less surprising if one or two of the larger UK oil companies were to be asked if they had overlooked the potential in ISE. No such auction is conceivable for Sovereign Oil and Gas. In today's oil market the best return. The Bank's statisticians restocks disappear, while the worst port, rather improbably, that net

Having a monopoly position in its same time? Solvers should note that main market – British Plaster the Bank has never believed in Board - has served BPB Industries round-tripping.

well, although it has been careful not to abuse the advantage. So it must be delighted to find compention lessening in other areas too, in Western Canada the sale by Genstar of its plant to BPB, which then closed its own, leaves only two manufacturers. While in France, peace seems to bave broken out with La farge, and, following the removal of price controls, selling discounts have shrunk on higher list prices. Even in the UK glass fibre market Cape Insulation's exit has helped Gyproc back to profit

That alone would not explain a near 3 percentage point gain in pretax margins and a 31 per cent rise in profits to C102.3m in the year to March. Trading conditions been favourable too, and BPB is reaping the benefits of heavy capital spending. Nearly half the UK production of plasterboard is now coming from the East Leake site where gross costs are least. BPB is also enjoying the fall in energy costs. With a 31/2 per cent increase in volume, despite a weak start to the year, BFP has no need to raise plasterboard prices at home. In Eastern Canada too BPB is seeing strong demand from both sides of the par-

At the same time BPB's finances are ever-strengthening. Net debt of 221m turned into net cash of £10m during the year, despite spending of around £40m, BPB has already spent that cash and looks set to attack the Italian market where old fashioned wet plaster still predominates. This year's profits should top £122m, giving a grudging prospec-tive p/e of 12% on the shares at 510p up 23p yesterday.

#### Company gearing

The Bank of England Bulletin. published this morning, contains its regular puzzle section for credit an alysts. According to the Bauk, the company sector's capital gearing has been rising - yes, rising - stead-ily since about 1980, despite continued destocking and rising rates of ask for money from sharebolders gearing is at its highest since 1975. who know that refusal will do worse than offend. gearing teaser, there is a supplementary question: wby are companies adding to their gross borrow-ings and their cash balances at the

"A lot of local

.

#### Palm Beach are expected in the au-Smart cards are plastic cards containing a microprocessor with huilt-ln information storage capacity. They have a series of revolutionary

applications ranging from making

cashless payments to electronic pin-pointing of individual medical or

#### Further fall in financing for developing countries - OECD

BY ANATOLE KALETSKY IN LONDON

into developing countries continued to decline in 1985 for the fourth year running, and the industrial-ised world's official development assistance increased only marginally in real terms, according to a report from the Organisation for Econom-Michael Holman in London adds: ic Co-operation and Development

(OECD), published today.
The OECD countries official development assistance (ODA) in 1985 Sir Shridath, speaking during a visit to New Delhi, said that events

THE FLOW of economic resources

was \$29.6bn, an increase of 1.8 per cent on the previous year's level at constant prices and exchange rates. Contributions to multilateral development institutions declined from S9bn to \$7.5bn, largely because of accidental timing of contributions to the International Development

paid directly to Third World countries, increased by 12 per cent to \$22.1bn, reflecting the response of OECD governments to the famine in sub-Saharan Africa. In addition, private voluntary agencies in OECD countries contributed \$3.1bn to the

While the OECD's development figures compare with peaks of \$18bn and \$52hn for export credits and banking flows in 1981. In addition, aid from Opec coun-

Third World. This was an increase of 19 per cent and by far the highest figure ever recon aid increased, export credits and banking flows continued to decline very sharply. Export credits fell from \$5.4bn to \$3bn and banking flows from \$17.4bn to \$13bn. These

tries fell for the fifth year running.

Meanwhile, bilateral aid, which is from \$3.7bn to \$2.3bn, and aid from Eastern bloc countries remained roughly unchanged at \$3.1bn. changes was a decline in the developing countries' net resource in-flows from \$83bn in 1984 to \$80bn

The most generous aid donors among the OECD countries remained Norway and the Nether-

ODA to GNP ratios in other countries last year were 0.47 per cent for West Germany, 0.34 per cent for the UK, 0.29 per cent for Japan and 0.24 per cent for the US. Financial Resources for Develop-ing Countries: 1985 and Recent Trends.

Editorial comment, Page 14

#### In North America, Bull's card is **EEC** dispute on sanctions against Pretoria Continued from Page 1

#### monthly get together of the Community leaders. The only other contentious issue is the determination of Mr Andreas Papandreou, the Greek Prime Minister, to raise the subject of relations with Turkey.

Sir Shridath Ramphal, the Com-monwealth Secretary General, warned yesterday that economic relations between Britain and Com-monwealth members could be put in some jeopardy" if the British Government continued to resist sanctions against South Africa.

in South Africa put "a very real obligation" on Britain to impose sanc-tions.

Association, the soft-loan arm of the World Bank, the OECD said.

## US may cut forecast

Continued from Page 1

er the Senate nor the House pre-pared to meet President Ronald Reagan's pentagon request for \$320bn but unable hitherto to agree whether defence spending authorisations should be set at \$301bn as the Senate wants or \$285bn as the

In the small hours of yesterday budget committee leaders reportedly settled on a figure of \$293bn but with a provision that it could rise to \$299bn if, for example, additional revenues were raised. It was uncertain, however, whether the conference committee would accept this

approve a budget resolution which meets the Gramm-Rudman-Hollings budget reform law deficit target for 1987 of \$144bn. While the target would be met, many private economists maintain that this would be achieved by creative ac-

On Wall street, the Administration'a largest deficit forecast of \$203bn for 1986 being dismissed as unattainable - figures of between \$210bn and \$220bn are being talked about. That, too, increases the scepticism surrounding the calculations on which the budget resolu-tion appears to be based.

engineering expertise." of Greet Britain "Attitudes ...your added value to quality are positive." Hampshire and the Isle of Wight is more than beautiful downlands, historical cathedral cities United Kingoom and a coastal playground of beaches and sheltered boating water. It is an area of business success and six leading international companies - Cyanamid, Esso. Ford Motor Company, IBM United Kingdom, Lilly Industries and Snamprogetti - have told us "Mature how it works so well for them. and stable Our set of case studies - called Business Workforce." Success - shows you why Hampshire and the Isle of Wight should also be part of your company's -Ford Motor Company prosperity. Take the first step, send this coupon to the Hampshire Development Association, 13 Glifton Road, Winchester SO22 538 or phone Winchester (0962) 56060 and we'll send you a copy. FT 27/6



## Software Packages for Business

HE COMPUTER software HE COMPUTER software packages industry is flourishing, and its growth is the proof that businesses will bend to accommodate "alien" ways of working, no matter bow unique they believe themselves to be. If, that is, the economics are right, when computers were large, cumbersome and expensive and therefore used only by the larger corporations, those companies had software written to suit their every little quirk.

larger corporations, those companies had software written to
suit their every little quirk.

As a method of developing
business software, it resulted in
satisfied customers (eventually), but at a high cost both
in cash and time.

As the cost of hardware fell
with the introduction of minicomputers — cheaper, simpler
but with many of the capabilities of mainframes—it became ties of mainframes—it became obvious that the economics of

to change.

The mini itself might cost £100,000 or less; a custom-built program suite of some complexity might easily cost the

So there was an irresistible logic in creating generalised software programs which could be applied to a number of different companies for tasks such as payroll, accounts receivable and so on with only a minimum of alteration to suit the outers. the quirks of the individual

company.

With the introduction of the low-cost business microcomputer, the package came into its own. There was simply no logic in spending \$10,000 to have written a specific piece of a produced as a software when, produced as a package and sold to hundreds of customers, the same soft-were might cost only \$500.

ing systems (the complex pro- certainly cost less than \$500.

The Western European market for packaged software is already worth over \$5bn a year, but with an annual growth rate of as much as 30 per cent it could reach \$24bn by 1991.

## A thriving market

By ALAN CANE

high lever
languages understood by
grammers and the stark patterns
of pulses of electricity understood by the computer).

Second, epplictions, tools,
software. This includes all
those programs which make it
possible for the computer to
handle applications effectively
ed — data management software,

software,

Total value

But although package.

ware is clearly one of the computer puting services business's strong on puting services business's strong on puting services business's strong on the computer to general of the European Computer to puting Services Association, reviewing UK market characteristics notes in a recent survey.

Third, application software, programs which carry out the task—or one of the tasks—for which the customer bought the

computer.

Packages of all three kinds are built by hardware manufacturers, by systems houses and by software houses. They are built for all sizes of machines. A major financial package for a big company written by, say, Management Science America or McCormack and Dodge to run on a mainframe, might cost

Today, three categories of the IBM Personal Computer or software package are generally distinguished.

A package written to run on the IBM Personal Computer or one of its "clones" (designed and built by another manufacture. grams which direct the internal In Western Europe, figures workings of a computer and from the consultancy Interdetermine its relationship with national Data Corporation sugthe outside world) and comgest that the market for pack-

computers — cheaper, simpler but with many of the capabilities of mainframes—it became dividual that the economics of software production would have grammers and the stark patterns total value will be \$24bu.

computers — cheaper, simpler pilers and assemblers (proaged software was \$5.2bn in tion, three themes will dominate the package business this between 28 and 30 per cent package understood by programmers and the stark patterns total value will be \$24bu.

creased their market share chiefly by large increases in sales of packaged software from \$449m to \$601m, an increase of \$152m or 34 per cent during the

"In contrast, systems houses "In contrast, systems houses site to increased their revenues from packed software by only \$34m during the year. Changes from long term licensing to outright sales of software products during the year may be caused chieved the sales of software products during the year may be caused achieved. some misleading distortion of growth rates in this sector for the hardware manufacturers and there is no doubt that the over-First, systems and utilities, turer to run the same programs all growth rate for packaged These packages include operations as the IBM original) will almost software is lower than the very ling systems (the complex procentally cost less than \$500.

• Site licensing: The computer business, in common perhaps only with the video and audio tape industry, is curious in that it provides its customers with it provides its customers with the means of copying, illegally, its products. The high flying package companies such as Lotus, author of 1-23 and Micro-Soft, originator of the MS/DOS operating system, had been los-ing beavily through unauthor-ised copying of their programs.

Furthermore, with the devel-opment of networking, it be-comes simple to move a pro-gram from one machine on one site to other machines on other

There have been attempts to develop hardware and software gadgets (dongles) to beat the pirates, but none of these bave achieved overwhelming success so far.

Software authors have therefore decided to cut their losses by controlling the amount of copying that can be carried out through site licences with the

computer users is towards multi-user machines, single microcomputers which support a number of users each working at a separate keyboard and

Single user software is not the most efficient for these machines and the development of sophisticated software which will make the most of the power of a multi-user microcomputer is expected to be a major growth

sexpected to be a major grown area in the coming months.

Micro-mainframe link software: It is comparatively easy to attach a microcomputer to a mainframe, but considerably more difficult to make it carry out any useful tasks.

The problem is that the infor-mation stored in the mainframe is highly organised in a fashion which is often incomprehensible to the micro. The two machines are organised differently and the codes they use to ask for, or send, information are quite

Micro to mainframe binks do micro to maintrame binks do exist but most have quite strong constraints on their use. So software developers are working towards a package which could truly be described as a universal link.

Other trends include moves to

drive down the cost of standard nackages by cutting out frills, bells and whistles. Companies such as Borland

International in the US, for example, have prospered by seling functional software at very low prices, \$100 or less.

Finally, there is a trend to-wards "internationalising" packages. US systems and applica-tion tool software has always done well in Europe because it is independent of local custom and practice.

Accounting and other pack-ages which have to observe local legal and other constraints to the letter have had to be rewritten at high cost.

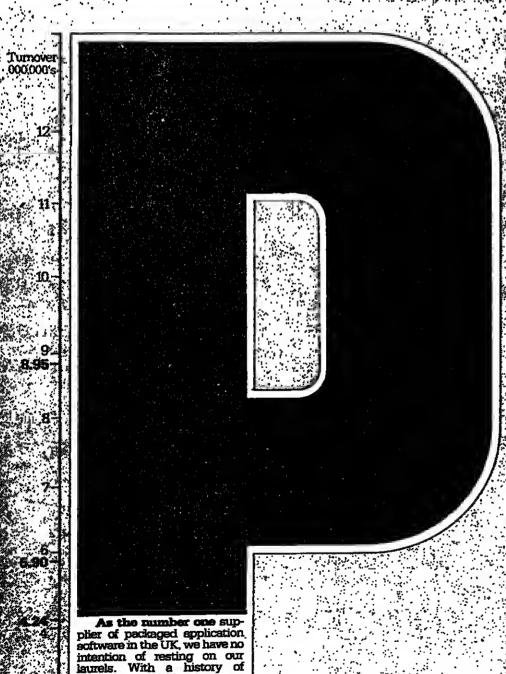
Moves to make internationalisation easier and less expen-

Western European Market Forecast The packaged software market by country with values in \$m 579

Operating systems: freedom of choice 2 Expert systems: forum on artificial intelligence ...... 2 Prototyping: getting it right before

key to high speeds ...... 4 sive are expected to be a major feature of the package software Off-the-shelf software packages ..... 4

Integrated systems: putting it all instructions
The US market: growing rapidly ... Profile: bureau's success with payroll systems ..... 6



In the early part of 1985 we acquired a recognised leader in the field of micro based manufacturing systems. This takeover, together with our inherent experience of the

mainframe computer market has enabled us to provide a new range of micro software products that will cater for the next generation of extremely powerful microcomputers. We have also used some of this newly acquired expertise to form a Manufacturing Division that is already employing

more than 70 people.

Also in 1985 we developed two highly sophisticated new systems. Firstly, the Human Resource Division launched

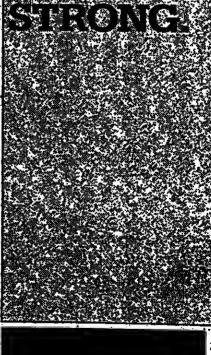
the PPL Pensions Adminis

tration System, the first step in a versatile new Human Resource package. Secondly we developed the **PPI** Demand Forecasting Sys-tem which determines, among other things, accurate stock requirements. This has already met with wide

February 1986 saw us launched successfully on the Stock Exchange. The placing was well received, reflecting the city's confidence in the

With an excellent start to the year, following a record year in 1985, the latter part of 1986 is destined for great heights. We anticipate an evan create timover with our resources and expertise filling the singly diverse requirements of many more businesses and organisations not only in the UK but in all corners of the Globe.

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1983

planned growth, development,

diversification and consolida-

tion, our fifteenth anniversary

duct launches, high perform-

ance of existing divisions and

development and growth of

our offices in Canada, The Gulf, France and Spain.

year was no exception. 1985 saw a 50% increase in turnover, several new pro-



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## Microcomputer users have freedom of choice

OPERATING SYSTEMS for microcomputers constitute an important and highly technical

Such systems work, between the user application and the microcomputer, providing services that are common to all applications. They are comapplications. They are com-parable with the gearbox in a car. Most drivers are not familiar with the workings of gearboxes, nor are they interested. They want to be able to get into the driving seat, start the engine and go.

Unfortunately, even the most casual of microcomputer user has to be aware of the workings of operating systems because of the way the industry has developed. Manufacturers of larger computer systems provide their own operating systems with their computers.

This makes it much easier for the operating system to be hidden from the user because complete system comes from a single source.

Microcomputers originated in the semiconductor industry and operating systems are supplied by third-party software makers, not the "chip" manufacturers. This means that the microcom-

> Spresdaheet market Share by unit

for a specific operating system, so users have to know which system is being employed on their microcomputers and whether the application they want to use will work with it. When IBM launched its

personal computer in 1981 it gave users a choice of three different operating systems: © Digital Research's CP/M, a well established operating system for earlier microcomputers with a wide range of applications already existing for

O Microsoft's MS/DOS, a new system specifically developed for the IBM.

The UCSD system, deve-loped by the University of California, San Diego, for academic users.

Microsoft's MS/DOS was the Microsoft's MS/DOS was the model for PC/DOS, IBM's "own" operating system for its personal computer and quickly emerged as the preferred choice. Third-party software suppliers built their applications to work with MS/DOS and IBM PC "clone" builders, such

1-2-3

"It's a well known fact that as your business

Software market

Supercalc 2

Supercale 3

worldwide.

In a perfect world, microcomputer users would be able to forget about operating systems and get on with what they bought their computers for in the first place. The problem is that hardware technology continues to charge and users demand still more from their

"MS/DOS is a market "MS/DOS is a market standard and users have been able to ignore it and the issue of operating systems," says Mr Paul Bailey, European vice-president of Digital Research, Microsoft's chief rival in the operating system world,

"But there are reasons why that is changing. Users want more memory and there is a limit to what MS/DOS can offer. And there are new applications, especially in the graphics area, where the current version of MS/DOS is not adequate," Mr

When the first IBM personal computers came out the memory facility was much smaller than now. An average system would have about 256,000 characters. The current version of MS/DOS can control up to 640,000 characters, which might seem more than the seem more th 640,000 characters, which might seem more than enough. But, as Mr Bailey points out, per-sonal computer users want better screen resolution, higher

large amounts of memory and 640,000 characters is just not enough. Furthermore, leading software developers such as Lotus and Ashton-Tate want to extend their applications software to include new features that need large memory sizes.

Digital Research, for example, has scored a couple of points over Microsoft with pressigious deals with IBM and ICL. Its Concurrent DOS operating system.

solution by developing a memory extension standard with Intel, the main chip-maker for personal computers. By using an "add-on" board, Lotus 1-2-8 users can work with much larger spreadsheets.
Although these extension boards, manufactured by Intel, AST and, more recently, Quad-

ram, allow greater memory sizes for data, they will not allow larger programs. Users still cannot enjoy the benefits of running more than one program at once (multi-tasking) nor can they expect improvements in graphics and screen resolution.

While users are expecting better performance from their

seem more than enough. But, as Mr Bailey points out, personal computer users want better screen resolution, higher performance and the ability to has led to speculation over the

puter user is free to choose the as Compaq and Olivetti, adopted use several different programs future of MS/DOS's role as the operating system.

But it also means that applibility of their personal computers.

But it also means that applibility of these features need computers amounts of memory and competitors are keen to exploit this and a lively debate on oper-ating systems is the result.

> of MS/DOS without the memory limitations, has been chosen fo several new products announced by these manufacturers.

> Rival operating systems have also emerged, including AT&T's Unix and the Pick. These sys-tems are designed for larger computers and are unlikely to effect the large MS/DOS user

Although Microsoft does not face any immediate danger, these factors are putting pressure on it to upgrade MS/DOS. A new version, MS/DOS 5, is on the way and it is expected to the property of the way and it is expected to the property of the manager. resolve the memory limitations in addition to offering multi-

"We are putting a lot of work into MS/DOS 5 and, together with our Windows product, this should go a long way to meeting people's needs," says Mr Phil Sutchife of Microsoft.

"I skink that there is still a lot of milesge in the current version of MS/DOS and people have not really got started with what is available now," he adds.

"We are putting a lot of work

Philip Manchester

	Software product category forecast							
and	services	market in '	Western	Europe by p	roduct	category in	\$m.	
kaged ware		software/	% share	Training/ FM	% share	Processing services	sbare	Total
224	34	4,856	29	778	5	4,807	32	15,16
481	43	7,826	29	1,395	5	6,262	23	26,97
117	50	13,754	28	2,498	5	7,948	16	48,31

#### **Market shares**

· Sales through dealers during

Software market	Т
Spreadsheet	30
Word precessing	28
Word precessing	22
Integrated	11
Graphics	9
Spreadsheet	
1.2.3	58
Supercale 3	15
Supercule 2	10
Muttiplan	8
Others	9
• Integrated	38
Symphony	38
Framework	17

Others .....



GEM Graph, a microcomputer applications package from Digital Research, can create a variety of graphs and charts from spreadsheet data at the touch of a

#### **Expert Systems**

## Forum on artificial intelligence

THIS WEEK about 50,000 people assembled at one of the largest conferences ever held to discuss artificial intelligence. About 40,000 delegates from tha US and 10,000 from Europe were linked by satellite for what was described the first Transatiantic Satellite Symposium.

Sponsored by the US chip maker Texas Instruments, it links up artificial intelligence researchers on both sides of the Atlantic. Speakers include Ed Feigenbaum, from Stanford University, John McDermott, from the Carnegle Group, and Harry Tenant, of Texas Instruments.

ments.
The formidable list The formidable list of speakers and the sheer size of the event should indicate the artificial intelligence. Expert systems will be high on the agends. The notion of captur-ing the human skills and knowledge in a computer system, turning it into a set of rules and presenting it to non-experts is an attractive one.

Expert systems is the first branch of artificial intelligence research to yield practical results and next week's conference will include reports of systems in practice. It is a rare occasion because companies are generally tight-lipped about what they are doing with expert systems.

we have four or five clients systems.

"We have four or five clients developing systems. But they are all reluctant to talk about what they are doing. That is the nature of the expert systems business," says Mr Bernard Dodwell, sales manager of ISI, an expert systems software company part-owned by ICI.

"We can talk in general terms about the problem they are trying to solve, but not in detail."

ISI sells an expert systems "shell" is a basic piece of software that can be developed into an expert system's application. It is a special method of programming and one of a long list of products aimed at helping expert systems development.

Savoir is being used by an insurance company to develop a system that will assess insurance risks and instruct brokers about reinsurance. Several banks are also using Sawnir for

about reinsurance. Several banks are also using Savoir for undefined projects, according to Mr Dodwell. "But there are very few applications around in the financial world so far," he

Over the past two years there has been a boom in development tools like Savoir, ranging from proprietary "shells" to proprietary "shells" to standard programming language compilers designed for artificial intelligence applications. This boom suggests that e lot of de-velopment activity is taking

Texas Instruments held a Enropean-based satellite conference on artificial intelligence last November, when it surveyed the delegates to measure how much development activity there is. From 3,000 replies it found that 47 per cent of the dele-gates, from across industry and commerce, intended to spend money soon on artificial intelli-gence developments.

Expert systems have thus moved out of the research laboratory and into the real

The big commercial computer

manufacturers declared their commitment to artificial intelligence and expert systems last summer when large numbers of



Testing facilities at an IBM factory. The company has announced an expert system designed for its important mainframe computer customers.

Texas Instruments, for example, uses an expert system for finding faults in circuit boards and one of ISI's clients Commedore all launched Lisp language compilers to work with their computers last year. Lisp is the favoured language in the US for building satisficial in the insurance business is using an expert system to help to find faults in a computer network. DEC has been using an expert system to help configure its computer systems for

intelligence applications and a requirement for US Department of Defence projects in artificial intelligence. Such projects figure strongly in the computer part of the Strategic Defence Initiative research effort by the

US military.
IBM also put its first artificial intelligence products on to the market last gummer. Its commitment to new directions, by announcing products, often becomes a reference point in the future. Its move into the the future. Its move into the business computer market in the early 1960s with the announcement of the IBM 360, its announcement of the IBM personal computer in 1981 and the recent moves into local ways.

personal computer in 1981 and the recent move into local area networking.

In the past year IBM has made significant expert system product announcements, suggesting that this area of development is set to expand. These announcements culminated in April this year when IBM announced an expert

IBM announced an expert system designed for its important mainframe customers. The Texas Instruments conference next week is intended to meet the increasing demand for information about expert systems. "The mariost is hungry for information "sora Me Steve systems. "The market is hungry for information," says Mr Steve Thomas, Texas Instruments' marketing manager in the UK. "There is still not enough awareness of the capabilities and limitations of expert systems," he adds. "A lot of the talk about expert systems concerns futures and it has been seen as a nanacea for the prob-

seen as a paracea for the prob-lems of using computers."

The reluctance of developers to reveal the results of their work is not helping the process of demystification and Mr Thomas agrees with Mr Dodwell

that people are keeping quiet about developments. "There is no doubt that you can gain leverage in the market through use of expert systems so people do not want their com-

petitors to see what they are doing," says Mr Thomas. So far, expert systems have been applied to scientific and technical disciplines such as the evaluation of chemical struc-tures with Deudral and medical diagnosis with Mycin Dendral and Mycin are the two bestknown expert systems to have been proved in practice. There has also been progress

in applying expert systems in products were announced the computer industry itself and Xerox, Hewlett Packard, Tektronix, DEC, Data General, to help fault diagnosis in computer systems.

tively easy to build because in every case there is a strong body of formal knowledge. So the rules needed to define the "expertise" were well-estab-lished. Examples of expert systems in use in commerce, where the knowledge needed to build a system is not so welldefined, are still rare, however.
Perhaps the most significant
recent development has been
the inclusion of artificial intelligence techniques in popular
software products. Ansa Software's Paradox database and the Q and A database from Symantec are two products aimed at the personal computer software market which have adopted this

approach.

These two products, both developed in the US, have used artificial intelligence ideas to belp make them easier to use.
Symantice, for example, bas
built a "natural" language
front-end to its database pro-

duct.
The large number of personal computers now in use promises to be a strong market for these products. It is also the area where people are likely to get their first glimpse of expert systems in practice.

Philip Manchester The author is editor of Fin-tech Software Markets.

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## Market growth in Western Europe The packaged software sector by software type: Squres in \$m

#### **Prototyping**

Suppliers in Western Europe

## Getting it right before deciding

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Prototyping tools bord to be large and opplicationally the growth make the prototyping tools bord to be large and opplicationally to be prototyping tools bord to be large and opplicationally tools bord to be large and opplicationally to be large and opplicationally tools be a secondary of the large and the prototyping tools bord to be large and opplicationally as the prototyping to be large and the large and tools are the large and tools and the prototyping to be large and tools are the large a

· Packaged software market by suppliers and by processor size

24,117

of installing a piece of saftware, and pressing the button. Needs change, applications grow, get amended, rewritten, or superceded, a process referred to as the "life cycle" of a piece of software. Prototyping is not just for meeting immediate the large-machine environment. Some of the most theroughly engineered prototyping tools for the large-machine environment is about fitting in with past methods and providing for new developments.

One snag with prototyping tools for the large-machine environment take this into account, and allow users to access "old data structures as well as setting up new ones. Others go further in producing applications which will travel from one system to another. Usually these work with a specific environment take the top of the market, closely tied to a specific hardware or database environment.

The applications they produce the prototyping tools for the large-machine environment take this into account, and allow users to access "old "data structures as well as setting up new ones. Others go further in producing applications which will travel from one system to application. Another is that they are, at the top of the market, closely tied to a specific hardware or database environment.

data structures as well as setting up new ones.

Others go further in producing applications which will
travel from one system to
another. Usually these work
with a specific environment
such as the Unix or Pick
operating system, or on a proprietary database. Examples
include Bbj's Today, and Software Express's Appgen, both
on Unix and Aston Technology's
System Builder running on the
Pick database environment.

Pro Computer Sciences of
Cambridge has an adaptable
language, Pro IV, which works
on a great variety of machines
with different operating
systems. Over the 10 years of
Pro IV's evolution the company
has developed some stringent
rules about what does, and does
not, qualify as a fully-fledged
"fourth generation language."

"4GL" is an ill-defined but

"fourth generation language."

"4GL" is an ill-defined but
popular term for high-level fastdevelopment tools aimed at improving programmers pro-suctivity, now used by suppliers to describe almost any new

PCS rules out anything which does not increase programmer productivity tenfold. It does not count products which are simply a set of individual "go-

(such as setting up data-entry screens and reports) without dealing with complex code tasks. The company also dis-counts anything which runs only a PC, since to be effective with a mainframe there must be access to a fully-fiedged data-

One of the main principles espoused by Pro IV (and most good prototyping tools) is the central data dictionary. This means that a set of applications can be integrated," passing in-formation between one another. In the best tools (including Pro IV. the Cortex's Applica-tions Factory) it also eases maintenance and the inevitable alterations and updates, because a change made to one data definition should auto-matically reflect throughout the system wherever the field

is used.

For example, if a field length is changed, the screen prompt for that field are adjusted too. Any product which needs such changes to be made explicitly, or which needs to rebuild the database or recompila the code for a change, fails by that standard. Other limitations are the use of a secondary database into which all data has to be entered.

against such languages are that they are inefficient in the code they produce, and sometimes need more hardware. Some prototyping tools have a com-pilation facility, which means

as a result.

Often there are specialised demands which simply cannot be automated. The more flexible generators allow the addition of "hand-written" code, and can also interface with independent applications.

A serious criticism of prototyping tools is that they simply allow programmers to produce a greater quantity of shoddy programs at high speed. Few prototyping tools include the vital "flowcharting" stage of logic and data planning among their design tools. ICL's Quickbuild and Corter's Applications flactory are two shining exceptions, but sadly they are limited to specific ICL and DEC machines. Arthur Young has just introduced Lames Wartin's have changed in the past few productivity tenfold. It does not count products which are just introduced James Martin's simply a set of individual "go information Engineering Workfaster" programming tools cobbled together, nor those in the IBM environment.

The quality of the applica-tions produced with a proto-typing tool is crucial. Anyone who has brought software to market knows that the actual development of the logic and code is a fraction of what makes up the product. What is the point of an application produced to customised requirement in rapid time if no-one understands how to use it?

The end-user has to be assured of an easy-to-use interface (usually a menu), explicit error messages, and all the

error messages, and all the usual cushioning that would come with a package. Documentation can be a stumbling block in the proper finishing of a "generated" application.

provide facilities for writing on-line help for generated applica-tions, and generate hard-copy documentation as well. These are rare: one such is Aston Technology'a System Builder applications genarator which works on machines running the Pick database environment, which also takes the portability factor seriously enough to prewhich also takes ine potentially factor seriously enough to provide the means to translate screen prompts, online help, and documentation into different languages.

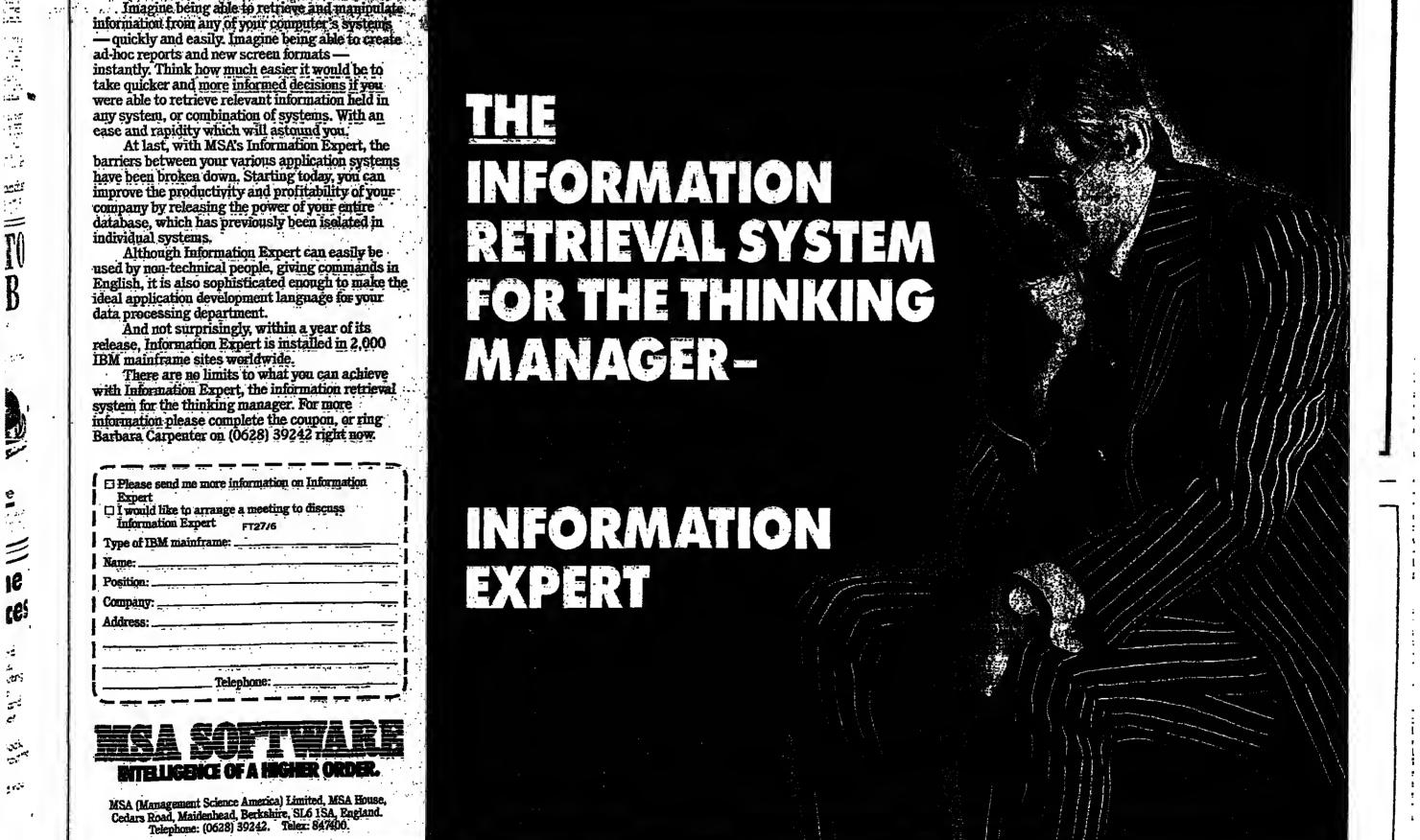
Prototyping tools tend to be Prototyping tools tend to be large and sophisticated programs and can be heavy on machine resources. But they do make the most of the buman resources available and they have made it possible to customise packages for the fussiest of users and maintain a degree of facilities after installation. that the users can play around of users and maintain a degre-with the design until they are of flexibility after installation. satisfied, and only then compile

After the first wave of enthu

After the first wave of enthusiasm for standalona microcom-puter tools such as dBase II,

they asked for, and, if things have changed in the past few days, the software changes too.

Claire Gooding





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Laser printer the key to high speeds

Desk-top publishing

DEVELOPMENTS have coma and its band-held "mouse" device, which allows crude trank-handled spirit duplicators with wax aheets that would keep tearing apart in the middle of a print-run.

As the photocopier has the print of the screen, now carries some interesting software for desk-top purblishing.

This is one of the few areas where Apple has so few areas

graphics screen, the most important element of a desk-top publishing system is the top publishing system is the laser printer.

Whereas the printing mechanism of a photocopier is tightly coupled to its optical imaging system, a laser printer'a mechanism is digitally-driven. The earlier laser printers were huge machines, from Xerox and IRM, and were used in large computer room environments to and were used in large computer-room environments to replace allower and noisier "impact" printers, which had more or less reached their limit

et about 10,000 lines per minute.

IBM's 3800 laser printer operates noiselessly at 18,000 lines a minute; while Xerox's 9700 comfortably exceeds this, and bas the added advantage of not requiring special computer retrieves a result of the standard stationery—reams of standard A4 or A3 sheets of paper may

the used.

This makes it ideal for "personalised" mailshots. Standard text was previously typed on a blank sheet of paper and photocopied on to letter-heads, separately from variable mades, separately from variable mades. text such as names, addresses and saintations which would be

typed on afterwards.

Mailshots in smaller organi-Mailshots in smaller organi-actions can only provide a limited market for the smaller, slower and much cheaper desk-top laser printers. Arguably, it would be cheaper to buy tima on a larga laser printer from a computer bureau. However, personal computers with mitable graphics capabili-

limited market for the smaller, slower and much cheaper desk-top laser printers. Arguably, it would be cheaper to buy tima on a larga laser printer from a computer bureau.

However, personal computers with suitable graphics capabilities can stretch the facilities of a desk-top laser considerably. The Xerox Star was one of the first of the sophisticated, but expensive, corporate electronic publishing and documentation systems to make use of smaller laser printers.

The Appla Macintosh, well known as a standard PC for its Xerox star-like graphics icons

middle of a print-run.

As the photocopier has become an essential item of office equipment since its wides spread adoption in the 1960s, so will the desk-top publishing system of the late 1980s.

Apart from the computer used for the origination of documents on a high-resolution graphics screen, the most match the Macintosh resolution

But now that IBM bas launched its revolutionary PC printing very tough for Apple, for, tough the latter offers hetter graphics, they are also slow to generate. Graphics places quite lly-driven.

> RT stands for Risc (Reduced instruction-set computer) Technology, a new and simplified type of computer processor architecture which breaks the mould of the complex architectures developed to cope with nmercial data processing requirements

requirements.

It allows the computer to run faster by utilising only the most commonly used instruction "primitives," making it ideal for scientific, graphics and computer-aided design applications in general, and desk-top publishing in particular.

Nevertheless, Apple is determined to hang on to this market. The company is running adver-

The company is running adver-tisements for a complete desktisements for a complete desktop publishing system weighing
in at £7,500, including an Apple
Macintosh PC, a LaserWriter
desk-top printer, and software.
The software includes Apple'a
proprietary MacPaint and
MacDraw packages, a sophisticated word processor from



An entry-level electronic publishing system Xerox automates the production of manuals, directories, catalogues and similar business publications.

tosh. Linotype's Series 100 is a desk-top publishing system hased on Apple Macs, with aeveral software packages developed specifically for publishing specifically for publishing system (Keeps).

An added advantage of a system is that photographs may be a system of the photographs and the photographs may be a system of the photographs and the photographs are also be a system of the photographs and the photographs are also be a system of the photographs and the photographs are also be a system of the photographs and the photographs are also be a system of the photographs are also be a system of the photographs are also be a system of the photographs and the photographs are also be a system of the photographs are also be a s aeveral t developed publishing.

developed specifically for publishing.

As one new technology leap-frogs another, new bits of software are required to keep up. For example, separate software to that required to drive a computer's screen and keyboard may be required for enhanced control of e laser printer's mechanism in the form of e page description command language.

Dataproducts, a traditional manufacturer of "impact" computer printers, bas launched a desk-top publishing system in conjunction with Apple distributor McQueen Systems, also based on an Apple Macintosh computer and PageMaker.

The system includes the Detaproducts LZR-2665, a 26-page-aminute laser printer which supports PostScript, a paga description command language produced by Adohe Systems, of Palo Alto. California.

PostScript is a device independent command language

PostScript is a device inde-

Palo Alto. California.

PostScript is a device independent command language which is resident in the controller of the laser printer. It acts as the interface which allows various workstations, laser printers and typesetters to be used interchangeably.

The LZR-2665 is e full text-and-graphics laser printer supporting paper sizes up to A3, allowing the user to produce a four-page A4 newsletter. The printer has 13 resident type fonts, which can be scaled to any size and placed in any orientation on the page. A number of additional fonts, such as the bouse style for a company name, can be downloaded. The use of bit-mapped graphics or a mouse to create images such as logos and icons. in order to exploit the enhanced control available on laser printers, can be laborious and time consuming.

scanner is that photographs may be used too. The Dataproducts system includes Scan 300, a desk-top optical scanner from Abatone which digitises draw-tings graphyse and photographyses. ings, graphics and photos directly into a Macintosh.

It is a 300-dots-to-the-inch scanner, which matches the LZR-2665 output exactly, it eutomatically converts coneutomatically converts con-tinuous tooe photographs into

half-tones.

So, although at the moment Apple is way ahead of iBM in desk-top publishing, all is not lost for IBM users.

Itek, for example, offers an

IBM PC-hased personal type-setting workstation, the liek PTW, e British-developed soft-ware package with menus, prompts, and the almost mandaprompts, and the aimost manda-tory WYSIWYG (What You See Is What You Get) facility for modern text-processing systems. Its features include a 50,000-Its features include a 50,000-word dictionary (for hyphenation and spelling check), and more than 100 type-fonts online (each with 256 kerning pairs for eutomatically adjusted spacing).

Compugraphic's Scanner 1000 compugraphics scanner root operates with an IEM-compatible personal computer. A logo, or other line work, is scanned and the data fed directly into the micro and on to the screen to the screen.

to the screen.

The operator edits and scales the logo before it is transmitted to the Compugraphic-digitised typesetter and stored on a standard font disk which can hold up to 118 different logos. It is capable of scanning images from a maximum of 8½ in x 14 in down to a minimum of 3½ in x 34 in x 34 in and will read of 31 in x 31 in, and will read an A4 page in approximately five seconds. It works to a resolution of 480 x 480 dots per inch (higher than Abatone's Scan 300) and has automatic light exposure to compensate for varying density originals. **Boris Sedacca** 

Off-the-shelf or specially written software

## Choosing ready-mades that fit

COMPUTER SOFTWARE is inherently expensive to develop. Its design and testing are labour-intensive and require intellectual skills of a high order. Those who possess these abilities are scarce and so many of the reputable vendors offer "samplers" which allow one to get some idea of the performance of a package.

A task which took 44 minutes on an elderly 8-bit Microsoft's Word is claimed to the proliferation of pirate out extensive tests. As an aid, the proliferation of the proliferation of pirate out extensive tests. As an aid, the proliferation of the pr require implemental same to a high order. Those who possess these abilities are scarce and so, naturally, are able to demand commensurate rewards. It is for reasons such as this that in the major areas of word-processing, spread sheets, databases and graphics that standard off-the-shelf packages are most frequently used as they can provide an adequate solution without the high costs that would arise from having software specially written. In many cases, in fact, it would be pointless having custom software. One "just" needs to choose the most appropriate package from the thousands on the market and one can obtain 80 per cent of what is needed for well under 20 per cent of the cost of a custom package. The launch of the IBM personal computer had two effects: it made the micro a respectable business tool; and it provided the de fecto standard machine on which software would be run. For the winners, such as Wordstar, which is even now the most widely add (and pirated) word-processing package, the sales run into many millions of dollars with commensurate returns.

Market research by the software companies is therefore aimed at determining which added features will have most sales appeal. The outcome is a large number of competing

be slow and lumbering in com-parison with their older, albeit simpler, brethren on previous generation machines. This factor will become less impor-tat in future as new generation machines, such as the IBM AT and its clones, are more power-

powerful and more expensive AT-type machine was there a noticeable improvement. The task then took 30 minutes to perform.

The above may appear tough The above may appear tough to users of the slower machines but it can be argued that as the hardware costs are falling it will not be long before most users will move on to these advanced machines and so be able to take advantage of the added power and speed as it becomes available.

Obviously it is immossible to

becomes available.

Obviously it is impossible to cover even one of the areas of standard packages in any detail. But by looking at general principles it is possible to gain an appreciation of the difficulties appreciation of the difficulties facing a prospective purchaser.

I will consider word-processing (WP) because the manipulation of text is a task with which everyone is familiar and I, as a journalist, have an appreciable amount of direct experience of it.

There are two two texture different

experience of it.

There are two totally different WP requirements: one is to generate tha words (the writing function); the other is

added features will have most sales appeal. The outcome is a large number of competing "full-featured" packages which, subject to their being reliable and "hug-free," provide a vast amount of functionality at a relatively low price.

But the price to be paid for all this functionality is its complexity. Hence, it takes an appreciable amount of time and effort to learn to use such packages to best advantage. Indeed, for many users they tend to be an overkill.

At the same time they are often so big that they tend to be show and lumbering in comparison with their older, albeit to generate tha words (the writing function); the other is to prepare ettractive-looking writing function); the other is to prepare ettractive-looking printed documents (the typist's function). The two requirements often merge when the author "formats" tha document so that the layout on the final printed page will look attractive and be easy to read.

Sometimes the author needs to carry out a brainstorming eveloped, be can put flesh on the bones and write the required document. The need of many executives is often far of many executives is often far or many executives is often an simpler in that regular reports follow the same pattern each month and each report, therefor follows precedent without the need for outlining.

Writing is a most personal, almost idiosyncratic, process.

ful.

Mr Bill Gates, president of So, choosing from the large use a package extensively prior Microsoft, believes that the number of packages on the to purchase and yet, quite correct approach is to develop market is a difficult task—even understandably, the vendors do software to take advantage of if one had that time to carry

well-established database.

A task which took 44
minutes on an elderly 8-bit
micro took 62 minutes on an
IBM-type machine. So not only
the would actually lose if he
changed machine. Only when
the same job was run on a more
to learn how to use added
to the user obtain to benefit
the database.

To cite some of the packages.

Microsoft's Word is claimed to
be one of the most versatile
on the market and is aimed at
the executive. It has good
integral tutorial and "help"
facilities ao that a user is ahle
to learn how to use added
powerful and more expensive
features. I like it but, as an features. I like it but, as an experienced typist, I find it a little slow on my own machine.

White this is a highperformance stand-alone WPpackage, Quill is part of the
modular integrated package
Xchange from British company
Psion. Other modules within
this package, which can be used
separately or fused together as
an integrated whole, are database, business graphics and
spreadsheet.

It is claimed to be easy to

It is claimed to be easy to use and to provide a convenient means of transferring data from one module to another. The writing of software is not necessarily the prerogative of the big battalions. Bonnie Blue was written by Ronald Blue was written by Ronald Greenberg, a computer professional working et New York hospital. This is e low-cost and yet fairly fast package which is both versatile and not too difficult to use. Marketed by London-based Paperlogic at just under £100 it will find favour with the users of low-cost clones costing around £1.000.

£1,000. Similarly, Dr Chris Currie, of the University of London Insti-tute of Historical Research, has written a program to permit the reading of text on a VDU with the same sort of conven-ience that one would expect from a book, it uses a similar approach and features num-bered screens just like num-

While Bonnie Blue has been enhanced and updated when-ever possible to meet users' needs, Dr Currie's program was written to meet a particular need in his department which, he now recognises, is a far from unique problem.

In all cases, however, one is dealing with intellectual pro-perty, and thus the copyright, of the software writers. Ideally, a prospective user would like to use a package extensively prior

doing this because it is can seriously inconvenience users (especially in the event of machine failure) and can also add to the complexity of the software itself.

Software liself.

Software piracy is a problem that will continue to tax the minds of the vendors for some time to come even though most customer companies are com-ing to recognise that it is unlaw-ful to make unauthorised copies of a program to run on a number of machines.

This is prohably more serious than the other problems of the user who makes a copy for use on a similar machine at home or of copies being passed around as they are less likely to constitute a major loss of revenue, while the problem of the multiple user is being addressed by hulk discounts and site licences. After all, what serious business user can afford to be without full documentation or

The ability to evaluate soft-ware fully before purchase is provided by the concept of "user-supported" software which is becoming common in the US These programs can be freely copied and are thus widely distributed. They frequently incorporate a message suggest-ing that the user should send the author a donation of \$10 to \$50. Sometimes this covers the supply of the menual and registration for updates.

A user who is satisfied with a

program will probably not begrudge the relatively small sums of money involved, but this route for software procure-ment will not fit into a corporate strategy.

Software for micros is there-fore a complex subject. The direct monetary costs of packagea are likely to be smaller in real terms than the cost to a business of time wasted if a catastrophic decision is made. So, en investment of £65 for "Selecting business soft-ware," the latest addition to the Technology Made Easy series from Computer Television, could well enable the prospective buyer to start appreciating the questions that need to be

Adrian Morant

#### Integrated systems

## Putting it all together

THE GROWTH of Lotue Development and its successful 1-2-3 software package is rare in the innovative approach -- "integrating" deatures from several different programs in one piece of coftware — appeals to per-sonal computer users.

Lotus 1-23 also started a trend for packages that com-bined all of the features that business and professional computer users might want in a single product. Lotus 1-2-3 brought together a Visicale-type spreadsheet, a simple database and graphics. Later products, such as Lotus's own Symphony package, included word-proces-sing, communications and facilities to accept data from other

Early last year it looked as though sales of these totally-integrated packages would outstrip sales of single-feature packages. Lotus itself admits that it expected the main market for Symphony would be existing 1-2-3 users who wanted to extend their software.

Lotus even offered a discount to existing 1-2-3 users to encourage them to move to Symphony. Similarly, Arbton-Tate, Lotus's main rival in the personal computer software market, expected that its Framework integrated package would appeal to its existing

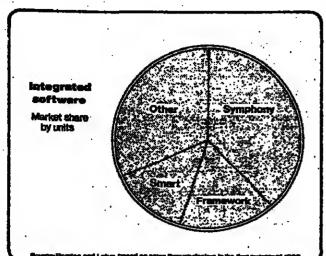
#### Attempting to identify trends

Ashton-Tate's dBase range is the market leader in data-base software as Loins 1-2-3 is the leader in the integrated spreadsheet market. Both com-panies made sure that their new products were compatible with their earlier ones. Symphony can use spreadsheets generated by 1-2-3 and Framework can use databases generated dBase.

Lotus saw ets spreadsheet users moving into word-processing and database, Ashton-Tate saw its database users moving into word-processing and

They were both wrong. Despite the discounts, the upwards compatibility and the apparent logic of moving to products which offered more features, Lotus 1-23 users have not moved over to Symphony in great numbers. Neither have dBase users moved to Frame-

This does not mean that the products have failed. Far from it. Mr Floyd Bradley, managing director of Lotus UK, estimates that 1985 revenues from sales were sold by a separate comthe fourth largest software com- system for work-groups and departments.



Similarly, Ashton-Tate says it has sold 100,000 copies of Framework worldwide since its launch two years ago. Mr Paul Sloan, Ashton-Tate's UK marketing director, echoes Lotus's admission that it expected Framework to replace dBase.

Symphony well in the leau, want 38 per cent of the market, and Ashton-Tate's framework in second place with 17 per cent of the UK market.

Ironically, sales of Lotus 1-2-3 and Ashton-Tate's dBase continue to soar, supporting the view that integrated packages have created their own market.

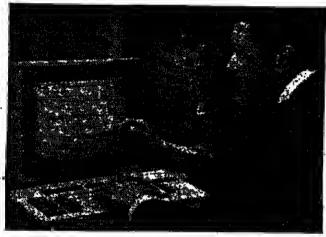
"We have learnt a valuable lesson because we though that Framework would replace existing packages. What has happened is that we have found an entirely new market," says Mr Sloan.

According to figures compiled from dealer sales in the UK by Romtec, a market research company, sales of integrated software packages accounted for 11 per cent of all personal computer software in the first three months of this

wew that integrated packages have created their own market. Romtec's figures show that "stand alone" spreadsheet packages accounted for 30 per cent of ell software sales, word-processing packages stood at 28 per cent and database

Lotus 1-2-3 still leads the spreadsheet market with 58 per cent of sales and Ashton Tate chains it has between 45 per cent and 50 per cent of the UK market for databases.

The continued popularity of Lotus 1-2-3 and Ashton-Tate's



Financial analysts using a Xerox 6085 professional computer to retrieve data from a mainframe computer

dBase, together with the growth of a separate market for the two companies' integrated products, has led both concerns to revamp their development strategies,

"Our development people now see two main product We have divided our product into character-based products like 1-2-3 and Symphony and graphics-based products like Jazz, our integrated package for the Apple Macintosh," says Mr Bradley.

tosh," says Mr Bradley,
"We will cominue to develop
1.2.5 and Symphony as character-based products and we want
to evolve 1.2.3 gradually to
include more features. But we
see 1.2.8 and Symphony as
separate product lines."
Lotus has not given up its
goal of bringing 1.2.3 users
across to Symphony. It has
already made changes to Symphony to make it more appealing to 1.2.3 users. The original
version of Symphony could use
Lotus 1.2.3 spreadsheets, but
1.2.3 could not use spreadsheets
built using Symphony.

The latest version of Sym-

The latest version of Symphony has changed that and Mr Bradley thinks this will increase Symphony sales.
"The problem was that Symphony users in a company could be isolated from 1-2-3 users. Now that is not the case," he

#### Development of wider portfolios

Asiton-Tate also sees its
dBase range and Framework as
separate product lines, Mr Sloen
sees no conflict in this. "We will
be bringing the two products
together in various ways. But I
believe that the leading software publishers will continue to develop wide portfolios of products and some products will tend to overlap," he says.

"There is no doubt that if your needs can be met with a single integrated package then it is the best approach. The common command structure in Framework and the ability to move data from a spreadsheet to a wordprocessor to a database make it a natural choice.

"If you need to use stronger products, like a secretary using a full word-processor, then you can still integrate using something like Microsoft Windows. But it will never be as clean as

Mr Bradley of Lotus agrees with the core of Mr Sloan's argument and says: "Symphony is a product for middle management with a light need for word-processing, a light need for database and heavy need for spreadsheet. Yes, it is more complex than 1-2-3, but there is a lot more in it."

Philip Manchester

#### Accounting applications

## Need for multi-user systems

ACCOUNTING systems are not the most glamorous of computer applications, but they are the backbone of the data-processing business and have become an important microcomputer application.

Such as word-processing and computer systems are set in an applications, but they are the backbone of the data-processing business and have become an important microcomputer systems are set in an an until user environment. They have also written their knowledge and skills are available to help users. But by personal computing standards the systems are difficult to use the systems are set in an an until user environment. They have also written their code in the Basic language, which is not suited to multi-user environment. They have also written their code in the Basic language, which is not suited to multi-user computing.

puter application. The arrival of powerful and inexpensive microcomputers is causing a quiet revolution in the staid world of company accounting. Microcomputers such as IBM's AT personal computer are powerful enough to challenge much more expensive miricomputers.

Moreover, the increase in

Moreover, the increase in computer power and the de-crease in cost has meant that electronic accounting is a prac-tical and economic proposition for smaller companies.

The UK researcher, Romtec. estimates that the UK market for personal computer-based accountancy software alone was worth £40m in 1984 and is set worth £40m in 1984 and & set to grow to £104m by next year.
Over the past few years the trend has been towards "packaged" accounting systems.
Accounting software for large mainframe computer users is accounted in machine for the package of the pa provided in package form by US-based companies such as Management Science of America

: 8

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and McCormack and Dodge. and McCormack and Dodge.

At the other extreme, small UK developers have produced accounting packages for every type of hardware from the Sinclair Spectrum upwards.

Packaged accounting systems start with the three standard ledgers, spies nurches and

ledgers, sales, purchase and nominal. The large and more expensive computer accounting systems also include invoicing, stock control and order processing. In between, there are any number of variations to meet the diverse needs of different

Accounting systems are also a key area for "bespoke" software developers. These systems, either developed by specialist developed on maintrames. The software companies or by the users themselves, are designed to a customer's specification. The specialist developed on maintrames. The wide acceptance of personal are unfamiliar with user friendly interfaces and personal computers in business has raised friendly interfaces and personal people's expectations of systems.

Maintrame and large mini- are not used to the demands of Unlike general applications

ine backbone of the dataincrocessing business and have
become an important microcominter application.

The arrival of powerful and
inexpensive microcomputers is
causing a quiet revolution in the
staid world of company accounting. Microcomputers such as
BM's AT personal computer
ire powerful enough to chalenge much more expensive

side the technology.

An accounting package
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increase developed for a manufacturing company is inappropriate for a service company.
The result is that a thriving
industry has grown accounting
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developing bespoke accounting systems.

Extending into

Iarger markets

Despite the continued demand for bespoke systems, however, the main thrust in accounting software is towards packages; and the big issue for developers from both ends of the business is to extend their packages to larger markets. The personal computer package suppliers are trying to move "up-market" and the minicomputer software suppliers are trying to move "down-market."

Even a small companys accounting systems are administered by a group of people rather than one individual. This means that a personal computer on its own is limited in its effectiveness. Accounting data one person changing a piece of factors in proving attractive to accounting systems are favore to accounting software backelopers from both ends of the market.

Companies such as Pegasus and Anagram, with a back-ground in personal computing software have tdapted their personal computer software have adapted their personal computer systems and have started to include multi-user features. Companies such as Pegasus what type of multi-user systems what type of multi-user solved technology issues such as what type of multi-user software to choose.

"There are two routes for Tetra, another company that user features. Companies such as Pegasus what type of multi-user software adapted their personal computers user features. Companies such as Pegasus what type of multi-user software to choose.

"There are two routes for Tetra, another company that user features. Companies such as Pegasus what type of multi-user software to choose.

"There are two routes for Tetra, another company that user features such as Pegasus what type of multi-user software to choose.

"There are two routes for Tetra, another company that user features such as a system such as Pegasus what type of multi-user software to choose.

There are two routes for Tetra, another company that user features, like yeal users to choose.

The personal computer personal computers when their packages to have a making a features

on its own is limited in its effectiveness. Accounting data need to be shared by several

people at once. Companies which started with small personal computer-based accounting systems are finding that they need to expand. They need to add more terminals to their systems while retaining secure data files.

to their employees than systems developed on mainframes. The wide acceptance of personal are unfamiliar with user Mainframe and large mini- are not used to the demands of Software Markets.

At the same time larger companies are finding that accounting systems built for personal computers are more "user-friendly" and more acceptable to the same time larger computer and more acceptable to the middle ground early on," says Geoff Abbott of SMB Software, a substitution of SMB Software, a substitution of the middle ground early on," says Geoff Computer Software group.

personal computing standards the systems are difficult to use.

The result has been growth in the middle ground between microcomputers and mainframes in systems that can support more than one user and provide a smooth interface for the user.

It is this area, usually known as the resources the produce the sort of high-ingular documentation the market demands. Now we do."

It is this area, usually known as computerise their accounts multi-user systems, that is using a multi-user system are proving attractive to accounting faced with more problems than

and running under an operating system like Unix."

ischnical features like recordictions to prevent more than one person changing a piece of data at once.

Both personal computer-oriented companies face problems in meeting the demands of the emerging multi-user accounting software market.

"It is fortunate for us that we moved into the middle work equally well on networked." work equally well on networked personal computer systems and "true" multi-user systems.

offer the same flexibility, Philip Manchester The author of this article is

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FINANCIAL AND MANAGEMENT ACCOUNTING SOFTWARE

**Documentation** 

## Need for clear instructions

THE FINEST printed docu-mentation is that which you don't need—because the soft-ware is self-explanatory.

Unfortunately, fine documen-tation is rare and for most products it is still necessary. The demonstrations appear wonder-fully easy, but the moment of truth comes when the user is facing the machine alone, with only the user's guide for help.

Software suppliers in the UK have gradually improved their documentation. US concerns were more aware of the competition and readier to spend money on aspects which UK software suppliers thought of as luxuries or no more than expensive fripperies.

But the documentation of a package is fundamental to its ccess. It doeso't matter how well-programmed a package iswell-programmed a package is—
if it isn't easy to use it will not
succeed. Mitch Rapor, developer
of the best-selling Lotus 1-2-3
spreadsheet package, never
claimed to be a star programmer. When he launched
Lotus, Rapor's sales pitch
centred on how easy it was
to use, or the design of its
now much-copied user interface. now much-copied user interface, and the fact that it did the that people actually

It says a lot for Rapor's shrewdness that the interface was built in right from the start. Too often the documentation and the user interface are added in as afterthoughts to a massive development effort. A well-designed piece of software should include the documentation and interface.

Guidance doesn't always come from a mannal Online help, the sort you can summon with one keystroke to display an explanation on the screen, is still yieldly seen as something of a gimmick. It is rarely practical as the sole source of help, portant clues on how east portant clues o partly because it is so slow to access and read screen by screen. But it is invaluable to than e "flavour." The manual, a new user who needs a quick on the other hand, should give through a manual,

system should ideally make it assessment of its capabilities, obvious to users exactly where they are, by means of a menu, positive signs of a package icons, or any other route-which will be easy to use is conpointers. Even more important, sistency. Methods of choosing it must be obvious how to exit. tasks, exiting, or aborting pot "How do I get out of this?" should be uniform. "How do I get out of this?" should be uniform. It is easier if the users' guides are divided into explicit sections each a crisis because the of the software itself. This users. Sometimes these come method of moving between means getting things in the



software application. Above: a manager checks delivery of electronic mail using special software for Hewlett-Packard's HP 3000 Computer network system

will be self-evident.
Another good sign is con-

sistency in the way that e a consistent level.
package handles certain func- A common fault package nancies certain func-tions such as inserting deleting mitted by user guides to hard-or amending information. Ware) is to explain some term ware) is to explain some term ware is to explain some term ware is to explain some term in great detail and then, two package, so that having learnt in passing a far more complex one process you have a fair idea of how in tackle others

A hands-on demonstration may give you the most important clues on how easy-to-use e package may be. A demonstration disk will give no more than e "diavour." The manual, on the other hand chould give Merence without wading you the essence of a package, and you can take it home to the most practical online read in bed. A lot of people help can be designed into the rely on the documentation of a interface is "signposting." A product to make a detailed system should ideally make it assessment of its capabilities.

Are you getting at your Company's data

functions and exiting from them right order, not repeating anywill be self-evident.

Another good sign is coning the tone and explanations to

in great detail and then, two, pages later, ask you to swallow in passing a far more complex technicality, totally unexplained, which presumes that you have a degree in electronic engineering.

Getting the level right is one

of the hardest tricks of docu-mentation. Too often the author mentation. Too often the author of a "first-time user" manual behaves as though no-one will ever progress beyond the handholding stage. Fine, the first time through, but remember that you will also need the users guide for reference in times of crists. The vital information may be there, but can you find it? Look for an index, preferably including cross-references, and try using it on a few key

is also the hazard of not being able to find what you need.

One of the most common com-plaints against ICL's One Per Desk integrated office/telephone system was that it had so many books that users needed a guide to the guides. As a sampler for the computer thy it's a non-starter. On its mainframe doit yourself programming product — Quickbuild — ICL got it right, however. Not only is the documentation well-struc-tured and crystal clear, the software itself is self-explana-

Programmers are the worst people to write guides because they rarely understand the level of skill (end particularly the lack of it) in their audience. It takes an expert to sort out the priorities, put things in the right order, cut out unnecessary repetition, and keep the levels distinct.

Luckily, there are more ex-perts around than there used to be. Documentation houses such as Baddeley Associates of Cam-bridge, and TMS Computer Authors of Guildford have Authors of Guildford have emerged to meet the need for clear User Guides. They are helped by the improvements in production methods, particularly word processing electronic publishing, and, on the cost side, laser printers. Reprints and corrections can be horrifically expensive.

The Institute of Scientific and Technical Communications has recognised computer guide authorship as a special area which needs wil the precision of manuals, but in a slightly less terse style. There are courses and conferences and several books on the subject for aspir-

Jean Hilder, managing direc-tor of TMS Computer Authors (clients include large banks and City firms who need tailored guides) deals with structure and audience first. A lot of work goes into the examples. "The problem-solving areas are aften the most useful," she said. are too simplistic or don't make sense." She is also a believet in a "panic page"—the first place a user can turn to to get out of trouble, with all the easy escape tricks which will save telephoning the support department. First time were chould

telephoning the support department. First-time users should be given an easy task they can do in half an hour with the package, which gives a sense of achievement early in the game. Like many British documentors, Ms Hilder feels that US documentation often gives shallow, insufficient examples and tends to be too folly. The British take their computers more seriously. "Professionals don't like to be taked down to. Sometimes manuals become too self-consciously friendly, con-descending and patronising. The UK tends to be more

formal, less free and easy. To copy the US style is wrong for the UK market." The comment raises an impor-tant point at a time when port-able software is becoming de rigeur, Software has to be portable not just across machines but across national boundaries

boundaries.

Some companies such as Thorn EMI, have the resources to make their manuals multilingual, as with the SMB multicutrency business software. Translation is not cheap. One specialist agency, Lexitel, which has translated the guides to Access Technology's 20/20 spreadsheet into French and German, estimates the cost at an average £20 per page, without production.

an average £20 per page, with-out production.

For most products, getting it right in English is still a long way away. Mesawhile, book-shops will do a good trade in how to "guides which tell you



Productivity software, including word processing and spreadsheet programs, accounted for \$2bn worth of sales in the US market last year. Sales could reach \$4.5bn in this sector by 1990

US demand for higher performance

## Business market grows apace

WHILE THE US business and to industry analysis. They premarket continues to grow at a acquisitions as the mevitable steady pace the prospects for result of too many convenience and discount of too many convenience. new entrants are dim, according to US industry analysts.

The three largest business software publishers — Lotus Development, Ashton Tate and Microsoft—together account for 60 per cent of sales, while another 6,000 or so concerns compete for the remainder of

The US market for "business" The US market for "business" software — accounting and administrative epplications — will grow to \$1.6bn this year, up from \$1.4bn last year, according to Dataquest, the US market research firm. The researchers project e 13.5 per cent annual growth, bringing this sector of the software market to \$7.7bn the software market to \$2.7bn by. 1990.

"Productivity" software, "Productivity" software, including word-processing and spreadsheet programs, accounted for an additional \$2bn in sales last year and are expected to top \$2.4hn this year. Dataquest projects sales of \$4.5bn in this high-growth sector by 1990.

Despite its ingh growth projections, Dataquest does not see

many opportunities for emerg-ing or new companies in the market. The industry is grossly werenwied and a big consoli-lation is under way, according

Market barriers to new soft-

ware, products have risen significantly over the past two years, with the cost of bringing a product to market becoming a heavy expense. Although software is relatively inexpensive to develop, the costly advertising and marketing effort of petential customers has

increased dramatically.

A big problem facing most software companies is how to sell their products. The industry is hampered by the lack of a clear distribution channel to take its products to the end user. Although software programs provide the driving force behind personal computer use, US computer retailers, who secount for nearly 70 per cent

account for nearly 70 per cent of all handware sales generally. regard software only as "necessary evil." With computer stores typically stocking only a few of the best known programs there is fittle opportunity for new-comers or specialist products in

retailers, the time and considerable skills needed to make soft-

the thin profits that they earn.
The downward trend of hard-ware prices has forced the dis-counting of software prices as customers baulk at spending more than about 30 per cent of their total investment in a computer on the software.

Software stores, once halled as an important new distribu-tion opportunity for program publishers, have failed to live up to expectations. Most have closed down or transformed their businesses into hardware and software shops.

end software shops.

Direct sales, through mail order or by a company's own sales force, have become the dominant selling method in the business software field, where the bulk of products are purchased by large companies. To reach small businesses, software concerns are trying new approaches such as selling programs designed to meet the needs of vertical sectors of the market, through professional market through professional and trade groups.

Accounting forms have also become a significant factor in the distribution of software. The growing problems of soft-ware distribution were recently emphasised by the financial wees of First Software Corporation, the second largest software distributor in the US, which bankruptcy laws in April.
First Software's bankruptcy

woonal, publisher "Wordstar" Micropro "Wordstar" word-processing program, has said that it is owed \$1.4m and Software Publishing Carporation has said that it expects to lose \$500,000 through the distributors' bankruptcy.

Slim profit margins were First Software's downfall, eccording to industry experts. Some expect to see software prices increase as distributors become less aggressive in soft-ware price discounting. But others believe that software prices must fall further with software publishers taking a profit margin cut so as to satisfy demands for inexpensive soft-ware to run on cheap computers.

In the business sector, however, there is also a growing demand for higher performance software. Softwear Publishing Comporation, which makes the popular PFS line of relatively simple filing, report-writing and word-processing programs, has suffered a significant drop in sales and earnings over the past six months and expects to report a \$1.5m loss in the third quarter of this year because of the shifts in the market toward more advanced programs and the increasing focus of retail

Louise Kehoe

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## ware sales are not justified by is expected to cause a rash of Bureau's success with payroll systems since Brent started using the C. E. Heath, which also offers a Peterborough Software's Unicomputer bureau service based pay, but the company took an on Unipension to pension funds, nutair proportion of the since 1979.

Profile: in 22 years Peter-borough Data Processing Services raised its turnover world-wide, based largely on software rentals, from £2,000 a year to £7.5m.

IN 1963, Mr Isn Evans-Gordon and less wife Gill set up a com-puter bureau in Peterborough with the help of a part-time punch operator, using spare computer expacity at Perkins and Hotpoint.

English is still a long y. Meanwhile, bookil do a good trade in guides which tell you good to be told you—but did good to be to be

A large proportion of turn-over is based on software ren-tals, which provides some measure of income stability against a background of wade fluctuations in the fortunes of other companies in the software

The company made its name as the UK's market leader for large and medium-sized main-frame computer-based payroll systems with its Unipay pack-

As software products go, a payroll sits at the non-glamour end of the software market, a staple but highly profitable product used by virtually all large, medium-sized companies,

large, medium-sized companies, and even small companies running microcomputer-based payroll systems.

However, the company describes its speciality as "human resource management systems," which also includes its Unipersonnel and Unipension systems.

sion systems.

Its products are used by more than 500 UK customers in the public and private sector, including over half of the Times Top 100 companies. But it is a public sector customer which brought the company widespread and unwelcome

Reports were carried of weakly-paid staff at the London Borough of Brent threstening industrial action in April when a backlog of wages payments mid-April, the company were lost due to payroll errors, acquired by insurance by Tha Borough's 7.000 weekly C. E. Heath for £8.5m.

The company already heavy packets for some weeks close working relationship

Brent's director of finance, Mr Odvin Steed, is been to point out that bugs in the software, brought about by the customisation of Unipay when it was first installed, only contributed two weeks to the

The rest of the problems were attributed to internal administrative problems at Brent and the way that departments hardle time sheets.

The basic software was never in question, but historically, Brent has always had difficulties in processing its payroll; at Bank Holiday periods, because the unions try to duriest on 'factual' pay week by week," explains Mr Steed.

"This is literally impossible and what we have sought to do over Bank Holidays is to pay estimates in the weeks before and after, and then to pick up everything in the third week.

"Those Bank Holiday weeks

came rolling on very quickly after the two weeks in which there were software problems.
The main problem is that we do
not get time sheets through
from the departments on time
and that is a problem for Brent, not Peterborough Software.

"I have to say that we have been using Peterborough Soft-ware's Unipay for sataried staff such as officers and teachers for many years, and last year we put in their latest update with-out on mobiless."

put in their latest typicate with-out eny problems.

"Peterborough is not new to brent and we have also installed."
Unipensions. While this system is not "live" yet, we have had no problems with entering data, and all is going according to plans and dimescales.

"It is only in the case of

"It is only in the case of weekly wages where we are changing from a very old, inhouse written system to a sophisticated online system to bring Brent's weekly wages payroll into the 80s from the 60s. This unfortunate event over-shadowed another major mile stone in the company's other-wise low-profile existence. In mid-April, the company was acquired by insurance brokers C. E. Heath for £8.5m.

Mr Evans-Gordon remained as Mr Evans-Gordon Femanicu as chairman and was joined by Michael Burton as deputy chair-man. Mr Peter Presland, C. E. man. Mr Peter Presiand, C. E. Heath's group finance director, also joined the board, and the Peterborough management team completing the toard comprises Mr David-Laking as group managing director, Mr Tony Bews and Mr Sandy Scott.

"Our acquisition will give us the capital and financial muscle necessary in a computer industry which grows ever more competitive and dominated by large multinational companies," said Mr Laking.

Boris Sedaces

said Mr Laking.

in effect, the large software multinationals have always been around, but they are mainly US companies who regard the UK market as the cherry on top

of the scing.

What has counted in Peterborough's favour all along is
the fact that it is a British.

Boris Sedacca

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# Hong Kong

A picture has begun to emerge of what Hong Kong will look like under Chinese rule after 1997, pushing the issue of confidence to the front of people's minds. Despite

trading uncertainties, and signs of a need for structural economic change, the impression is of a dynamic economy.

## Quest for stability

By David Dodwell

Hong Kong Correspondent

CWE DON'T expect
Hong Kong people to Miles socialism, and one of China's most senior diplomats in Hong Kong, aimiably stipping a gines of with the socialism, and one of China's most senior diplomats in Hong Kong, aimiably stipping a gines of white wine. "All we hope is that they will be good Chineses."

Nine months ago such an assurance would have been greeted with widespread public scepticism. There will still be many sceptics today but there are signs that a growing number of people are willing to believe that Peking means what is says. It is an assurance that sits at the heart of Denig Taloping's reunitying formula of one country, two systems, and without it the formula standard into reality.

The signs are that China is been done that Peking is shown to chinace officials althout in the British therefore what Peking's hong the same of being translated into reality.

The signs are that China is been done of the country, two systems, and with products of being translated into reality.

The signs are that China is been done of the first proposed to the thought of the country two systems, and with products of being translated into reality.

The signs are that China is been done of the first proposed to the thought of the country two systems, and with products of being translated into reality.

The signs are that China is been done of the first proposed to the strain of the country two systems, and with products of being translated into reality.

The signs are that China is been done that hong kong last January with a group of 13 lawyers to learn what local people fait about a group of the country that the products of the country that the products

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Ball Hallan

: 10 d



Looking cost along Hong Kong Inland's Enstern Corridor Canseway: there is growing belief in Deng Xiaoping's remailying formula of "one country, two systems".

Seven months later Peking's officials seem much more relaxed about the political changes occurring. They have had assurances from British ministers that Whitehall is striving towards political "convergence." They have also seen the territory's political activists modify their aspirations in a number of significant ways.

Maria Tam has now ahendoned her aim of setting up a political party. It took only one suggestion from Paking that it could not stand in the way of a Communist Party being formed in Hong Kong if other political parties were set up, to make her and other political aspirants realise that this was a Pandora's

unopened.

Martin Lee, consistently an advocate of direct elections to acrocate of direct elections to Hong Kong's Legislative Coun-cil, is now pressing for just 25 per cent of the seats on the council to be filled in this way. Chinese officials have quietly signalled that they would have no objection to such a comCONTENTS

2 FINANCIAL SECTOR Stock Market SOCIETY Film ladestry 6 Property Shine and Shioping 6,7,8 The police Indian Com Executive Guide

Photographs by Reger Taylor

This survey is an integral part of today's issue of the Financial Times and is not for sale as a separate

The Hong Kong Government's political review, planned for 1987, can now go shead with fewer fears that it will cause a fewer fears that it will cause a confrontation with Peking.
The retreat from calls for full direct elections seems to come from a view shared by many senior officials; and the territory's important business community, that Hong Kong could be weakened economically by the unleasing of populist political forces.

It is a view reinforced by the poor performance of the economy last year when the percapita great domestic product contracted by almost I percent following a rare slump in exports and rising concern that manufacturers have reached a saturation point in world demand for their products.

None would seriously claim that last year's enhanced political activity was a factor in the downturn, but it has reminded many in power that stability and prosperity—the common aim of London and Peking—can easily be disturbed and would certainly not be helped by the emergence of adversarial politica.

The desire to maintain stability and prosperity has resulted in a bemusing courtship by Pelving's socialist leaders of Hong Kong's super-rich espitalists. Some have said this is cynical and ultimately self-defeating. But Chinese officials—and a fair number of Hong Kong officials too—remain convinced that it is an essential first step to ensuring prosperity after 1997.

part of political figures. There may be some truth in this, but much more relevant is a growing awareness that insulation from volatile political forces in China would in no way be provided by democratic reforms.

Populist forces could clearly be manipulated by Peking just as easily as the territory's post-1997 leadership—if Peking were so inclined. Put starkly, this means that Hong Kong people have very little choice but to have faith in China's good intentions.

A process has began of "sending mandarins in two directions" that is intended to reduce this ignorance. A number of senior Hong Kong Government officials have spent periods of study in Peking over the past year.

At the same time, spert from Ls Ping's widely-publicised visit and that of state councillor il Pengfei, a steady stream of

Ji Pengfei, a steady stream of Chinese officials has been cros-

sing the border into Hong Kong.
Such a two-way traffic can
only gradually reduce ignorance and suspicion. But the
achievements of the past nine

prerogative of a partisan minority for several years to come, but many would say that the experi-ence of the past nine months

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**Politics** 

## Bumpy road ahead under Peking's watchful eye

ANYONE who is optimistic or pessimistic ebout the future of leaders also need to demonstrate a success in Hong Kongmighty assumptions these days in order to protect their domestics. mighty assumptions these days in order to protect their domesand is quite likely to be out of touch with actual events as well.

Fortunately this is not preventing a healthy expression of diverse opinions ebout the transition to 1997.

The most rescinistic case of trate a success in Hong Kong—in order to protect their domestic position, avoid international embarrassment and ultimately recover Taiwan—the ontlook on this count must also be seen as encouraging.

Against all this is the pessim—the order to protect their domestic position, avoid international embarrassment and ultimately recover Taiwan—the ontlook on this count must also be seen as encouraging.

ting a healthy expression of diverse opinions about the transition to 1997.

The most pessimistic sees a jittery but epathetic Hong Kong population, unwilling to press Britain into championing democracy as the territory's only true safeguard against potentially arbitrary rule from Peking. On this view, those who can will leave while the rest are already resigned to e fate beyond their control.

The most optimistic foresee e continuing life for Hong Kong's population fought to escape, and the perception that Britain's larger long-term interests lie more with China than with Hong Kong.

For many Hong Kong residents Britain's departure will remove the protection will shielded them from internal political struggles on the main-

The most optimistic foresee e continuing life for Hong Kong's political struggles on the mainsuccessful system of minimal government interference, low taxation and free transfer of funds. On this view, only minor changes will be made to the administrative practices which make Hong Kong "tick," and people will go on as before, making money.

In fact Hong Kong's mood, as leave is highly volatile. The siderations pose e real dilemma

making money.

In fact Hong Kong's mood, as
ever, is highly volatile. The
euphoria which followed the Sino-British joint declaration of November 1984 has largely orated. Yet after sentime evaporated. Yet after sentiment hit a nadir six months ago it is quite clear that only the gloomiest doomsayers have failed to draw encouragement from more recent political devaluations.

Such swings have been seen against a broader backdrop of factors quite beyond Hong Kong's courrol. The optimists' Kong's coutrol. The optimists' most important assumption, for example, concerns the life expectations of Mr Deng Kiaoping, the octogenarion Chinese leader, or at least of his modernisation policies and his novel "one country, two systems" plan for Hong Kong.

Just as important is the assumption that bustling Hong Kong can maintain the advantages over its Asian competitors.

Kong can maintain the advan-tages over its Asian competitors which have made it one of the world's fastest-growing econo-mies. Behind this is yet another assumption—that China will continue to need Hong Kong for its trading and investment acti-rities and that Deking does not continue to need Hong Kong for its trading and investment activities and that Peking does not wish to tinker with something which works so obviously to its own benefit.

promised Green Paper on political structure and it is eagerly awaited. The paper follows e previous Green and White which works so obviously to its promised Green Paper on political structure and it is eagerly awaited. The paper follows e previous Green and White which to the first-ever elections to

siderations pose e real dilemma as to whether they should stay or leave. For now, no on has to make any final choices. But ordinary people will see some big decisions being taken from next year and these will force them to make up their minds. In particular, they will be expected to take a view on the question of direct elections for the Legisletine Council Grown. question of direct elections for the Legislative Council (known as Legco), on the powers which should be held by the Chief Executive (who will ultimately replace the Governor), on the idea of ministerial responsibili-ties in Legco and even the formation of political parties. Hitherto the Governor and the civil servants have operated a

civil servants have operated a unique political system which gives them near-dictatorial powers on paper but on most issues demands continuous consultation at all levels in order to work. Now the balance of this "liberty without democracy" is

Next year the Hong Kong gov-ernment is due to produce a omised Green Paper on politi-

Legeo last year. Though these were indirect and only for 24 of the Council's 57 members, polities is being transformed pier about the way things are rapidly and further evolution is likely for the next Legeo election in 1988.

In 1988, too, a 58-member committee is due to produce a draft and learn and to make concessions.

tion is proceeding too far and too fast.

Its suspicious burst into the open last November when Mr Kn Jiatun, head of the Kinhua news agency who is Bong Kong and Peking's senior representative in the territory, returned from a trip to the Chinese capital and suggested that Britain was "deviating" from the joint declaration.

the Basic Law draring process
to its advantage and some comparatively radical political
proposals emanating from public figures in Hong Kong, confidence plummeted it took a testy
meeting of the Joint Liaison
Group, originally set up by London and Peking to implement
the proceedings back on track.

Sino-UK agreement, to put
the proceedings back on track. the Sino-UK agreement, to put the proceedings back on track.

People have since been talking of "convergence "between the evolution of Hong Hong under British administration and the devolopments which involve Peking starting with the shown by the way public figures

in 1988, too, a 58-member committee is due to produce a draft of the all-important Basic Law—the constitution for the government of the Special Autonomous Region of Hong Hong after 1997. The activities of this committee and of the 180-member Basic Law Consultative Committee and of the 180-member Basic Law Consultative Committee are from Hong Kong Originally minds even more strongly than the Hong Kong government's review because their work is being co-ordinated by Peking.

The Basic Law is scheduled to be passed by China's National People's Congress in 1990, which is earlier than originally intended. For Peking, however, it plainly became necessary to advance its plans in order to avoid the possibility of being pre-empted by changes already under way in Hong Kong.

These changes pointed to a proceeding too fast.

The manyleions burst into the open last November when Mr Kn Jiatan, head of the Tinhua news agency who is Hong Kong and Peking's senior representation of Tastan and Committee's members to listen and learn and to make concecson to learn and to make concecson of the Basic Law Drafting to the remitting tends to members a fine higgest encouragement has been in willingness to listen and learn and to make concecson of Hong Hong Committee's members 23 are from Hong Kong Originally the members of the Committee's members 23 are from Hong Kong Originally the members of the Committee's members 23 are from Hong Kong Originally the members of the Committee's members 23 are from Hong Kong Originally the members of the Committee's members 23 are from Hong Kong Originally the members of the Committee's members 23 are from

On political parties it warns that if these sint then the Commmist Party would organise openly too, which means the stage would be set for a clash with nationalist. Enomintangstyle elements. As for the chief organism Paking originally updeclaration.

Coming on top of indications executive, Peking avidently prethat Peking was manipulating fers to see one chosen by conthe Basic Law drafting process suitation rather than direct

nal People's Congress, and that skilled expatriates currently in .



Martin Lee QC, inside Hong Koug's Legislative Council Chamber. He has earned a reputation for being as strident inside Leges as in the Poking-linked Basic Law Drafting Committee

are shifting their views. Mr Mar-tin Lee, QC, an elected member of Legco who is on the Basic Lew Drafting Committee, has become less strident in his demands for democratisation.

demands for democratisation.

Miss Maria Tam, e member of
Exco and Legco who is on the
drafting committee, has become
less insistent on the need for political parties; and Miss Lodia Dunn, the senior "unofficial" on Exco and Legeo, is revising her views proposing ministerial

her views proposing ministerial accountability.

None of these important people see themselves as politicians and they tend not to criticiae each other, even in private.

All say they are working for Hong Kong—a view heard equally strongly from sympathisers for Peking's view-point—and all express as much anxiety about mobilising public opiniou in settling details of the new order as about China's true

intentions and willingness to compromise.

China itself has shown most concern—some would say too be a "lame-duck" government much—about retaining the and Peking's representatives in territory's "super-capitalists," Hong Kong concur. The success evidently belleving that if they leave confidence would com-would certainly support this

pletaly evaporate. These businessmen show sew signs of getting out yet. But skilled middeclass professionals are include Hong Kong's separate departing, which is worrying membership of Gett with other unless they are simply hedging international bodies like the their bets abroad before returning the strength of the s

ming to Hong Kong once again.

As for Britain, the 1987 review on the workings of the allrepresents a test of its intentions, though more over the
question of direct elections to
Legeo than other issues. Given
the Period Test threately the test of land will be held for the the Banc Law timetable, the post-1997 administration.

pessindsts feel this may be the last chance for the UK Governform of words to be inserted in ment and the territory's people the passports of British Natio-to influence materially and nals overseas, which many Hong directly the transition to 1967. Kong residents will hold, confir-

ming indirectly their right to live in Hong Kong Meanwhile, the Joint Liaison Group is sche-duled to be based permanently in Hong Kong from 1968— another reason why that will be an important year politically for

All this suggests that Britain, China and Hong Kong would have the greatest difficulty escaping their shared commitment to maintain Hong Kongs stability and prosperity for 50 years after 1997—until 2047.

ing, knows for sure what actually will happen. Never before have politics in Hong Kong been so interesting. All that can be said for certain is that the road ahead will be rarely straight, often detoured

Chris Sherwell

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## China calls in a banker

Profile of David Li, member of the Basic Law Drafting Committee by David Dodwell

DAVID LI was staying at the Richmond Hotel in Geneva when he was saked by China's most senior officials in Hong Kong whether he would join the Basic Law Drafting Committee. He insists that the request came out of the blue.

out of the blue.

There is, of course, nothing odd in a rich, pleasure-loving banker being found in Geneva.
Rather, it was an improbable place—and he an improbable man—to be called into the ser-



David Li, director and Chief Manager of the Bank of East Asia: not turning pink at the

"Hong Kong will be the only international financial city on the 18,000-km long Chinese coast. In terms of providing international financial services the entire China modernisation programme will refer them.

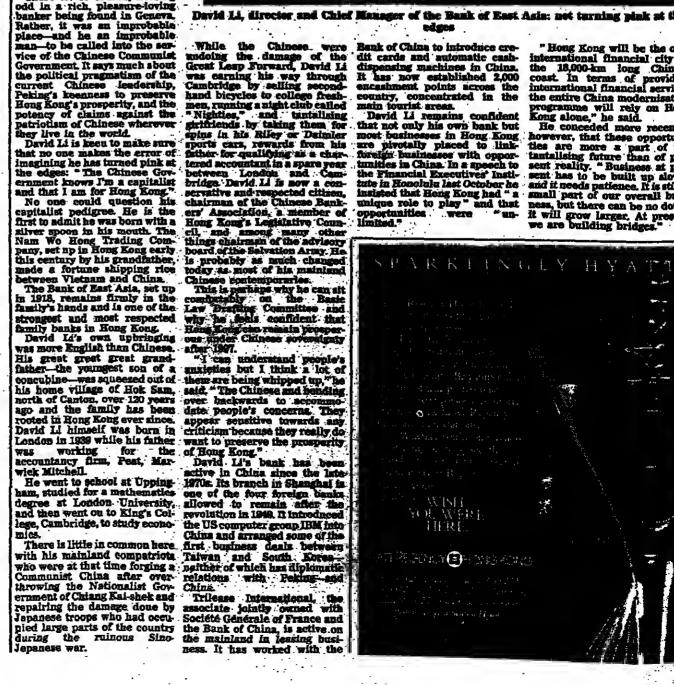
country, concentrated in the main tourist areas.

David Li remains confident that not only his own bank but most businesses in Hong Kong alone," he said.

He conceded more recently, however, that these opportunities more in the Financial Executives' institute in Honolulu last October he insisted that Heng Kong had "a unique role to play" and that opportunities were "unlimited."

the entire China modernisation programme will rely on Hong Kong alone," he said.

He conceded more recently, however, that these opportunities are more a part of the tantalising future than of present has to be built up alowly and it needs patience. It is still a small part of our overall basiness, but there can be no doubt it will grow larger. At present we are building bridges."



The Economy

## Future seen in high-tech ventures

IF Sir John Bremridge, Hong Kong's outgoing Financial Secretary, was forced to master the art of riding wild horses as the economy has bucked and reeled its way through political and economic turmoil over the mast five years, then his succespast five years, then his successor, Mr Piers Jacobs faces a wholly different challenge.

He inherits a maturing economy that has reached the end of the era of exponential growth. The areas of its greatest strength—like the garment, or toy industries—have such a substantial share of world export markets that future growth is more likely to be steady than

The years of breakneck growth in trade with mainland China—which insulated Hong Kong from the drab world trading environment—have also come to an end.

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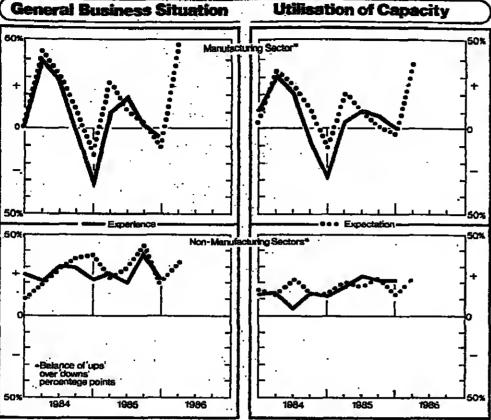
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4 JAN

come to an end.

Since 1978, when Deng Kiaoping began the painful process of opening the country np to the outside world. Hong Kong's domestic exports across the mainland border have averaged 111 per cent annual growth. This is a trend that clearly could not last Statistics showing a 20 per cent fall in exports between the first quarter of this year and that of 1985 also bear witness to cuthacks in China resulting cutbacks in China resulting from the rapid eroston of the country's foreign exchange



reserves.

The statistics both understate and exaggerate Hong Kong's dependence on China. Visible trade is undoubtedly swellen by the large quantity of componing the control of the statistics and the statistics of the statistics

"We have to rely on mann-facturing It provides the largest value added, and has a strong employment geoerating effect." he notes: "It's silly talking of Hong kong becoming a services centre if you don't have a sub-stantial manufacturing core to make demands of the services." make demands of the services." Economists at the Hang Seng

Bank, reflecting a similar concern, recently called for a new industrial transformation of the economy, saying this was "essential to the longer term growth momentum of the economy."

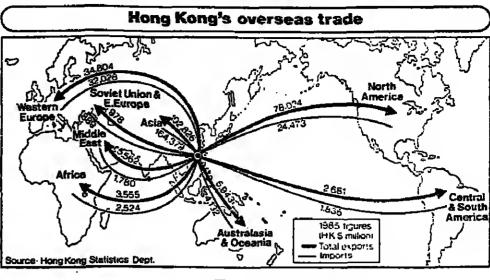
nomy."

They note that the contribution of the services sector to the economy has grown from 63 per cent in 1971 to 73 per cent at the end of 1984, while mannfacturing has declined from 28 per cent to 25 per cent over the same period. This is natural in a maturing economy, they say, but point out that services—unlike manufactures—do not generate

point oot that services—unlike manufactures—do not generate foreign exchange on a scale sufficient to meet the needs of an externally dependent economy like Hong Kong.

"Stagnation in market penetration and product devalopment probably indicates that Hong Kong's industrial base has reached e stage where its competitive advanwhere its competitive advan-tage is weakening," they say.

They reach the provocative conclusion that Hong Kong's entrepreneurs must find this



## Longer-term hopes stay with China

IT SEEMED a normal weekend. The newspapers were spreading gloom with reports of more protectionist legislation wending its way through the US Congress.

But at the same time officials of the Hong Kong Kong Trade Development Council, armed with the latest encouraging export and order figures, were sailing confidently out into Hong Kong's magnificent bareauling confidently out into Hong Kong's confid

But the mood aboard the boat looked more than just a possibility.

Both the mood aboard the boat looked more than just a possibility.

Both the mood aboard the boat looked more than just a possibility.

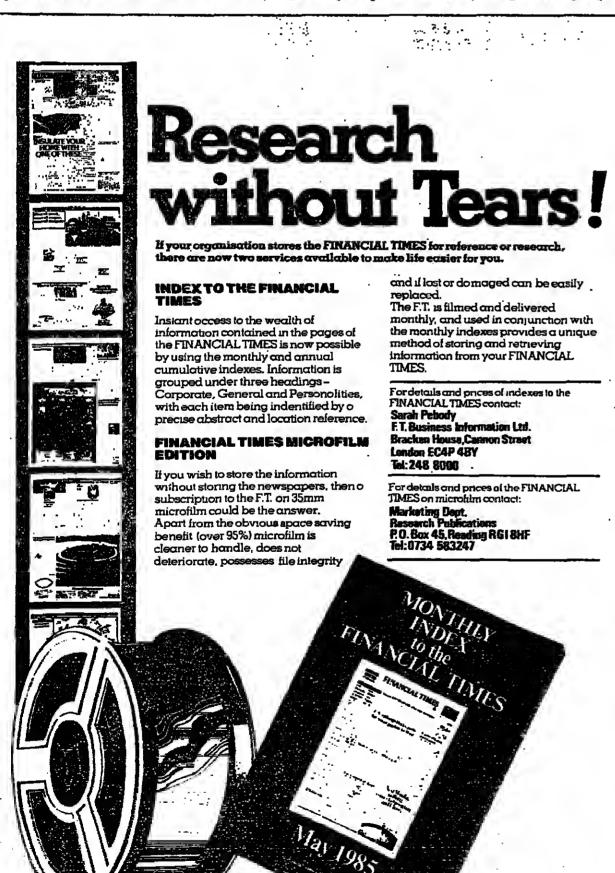
Most importantly, order books are lengthening in key sectors: the long kong doller.

Indeed, there are growing last closely linked to toy indications that 1986 will be no repeat of 1985, when an expected strong expansion of the US economy did not six months ahead, and many materialise but an unexpected clampdown by China on imported consumer goods did. Air cargo is again on the increase and space on container ships is said to be growing scarce. Electricity use for manufacturers and the other in increase and space on container ships is said to be growing scarce. Electricity use for manufacturers and the end of the year.

The main reason for the began when China opened its improved ontlook, in addition to increase and aboard the boat looked more than just a 40 per cent against the Hong kong doller.

It is often forgotten that Hong kong's labour costs are second in Asia only to Japan. It is remembered even less that Hong Kong basic materials and therefore is a major importer as well as an exporter. Imports from Japan exporter. Imports from Japan, we were buying back bas reached \$14."

The territory's manufacturers continued on Page 4





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Continued from Page 3

are reluctant to discuss their sources of raw materials, com-ponents and high-tech machin-ery, but it is clear that there is a scramble for alternative sources coupled with a drive to gain greater access for their products in other Asian

Economists argue thet Hong Kong must reduce its depend-ence on low-growth OECD countries and move into the buoyant Pacific markets. But this, as greater economic power-houses than Hong Kong have discovered, is easier said than done because of protectionism

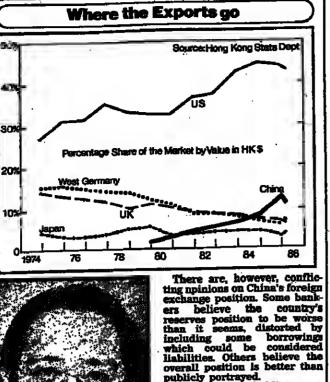
Meanwhile, Hong Kong will remain tied to the US and con-tinue to pin its longer-term hopes on China. This is why the growing protectionist mood in the US sends shudders down the spines of almost everyone in Hong Kong wbether government leader, bank chairman, small shareholder or worker in one of the territory's 50,000 small fac-tories, virtually all of which are

The recent US campaign to persuade Hong Kong to "voluntarily" accept greater restrictions on clothing exports led to a despondency throughout the territory's manufacturing industry. This feels that, while the US Administration is committed to Administration is committed to freer trade, it may be powerless to stem the protectionist trend in an election-bound Congress. With nearly 20 omnibus trade Bills pending in the US legislature, the fear is that Congress may be bent on taking away trade authority from the Administration

**Taking** 

a random walk

in the Japanese



publicly portrayed.
"Part of China's holdings were

measures to control imports later this year. Hong Kong offi-cials and businessmen in regu-lar contact with their mainland

lar contact with their mainland counterparts report what is sometimes described as an "obsession" with avoiding "Latin American debt status" and "getting into hock with expitalist countries."

Otherwise, the general feeling in Hong Kong is to agree with Mr Sze and the Trade Development Council that business is back to

businessmen who were pro-occupied with uncertainties

self if he wants to be part of this

Larry Klinger



Deputy Director of Trade Mr M. C. C. Sze

year's foreign-exchange clamp exporters.

down, Government and traders
The recent US campaign to alike have realised that, in their ailie have realised that, in their euphoria, they had overlooked that a trade boom in 1984's scale could not have been sus-tained. Exports by value were then or 81 per cent and re-exports by 130 per cent. For 1985, China had still offset

Sze and the Trade Development Council that business is back to normal. In the past year Hong Kong became an independent member of the General Agree-ment on Tariffs and Trade (Gatt), and according to com-pany executives, those some of the growing problems with Hong Kong's traditional markets. China remained firmly the territory's second largest occupied with uncertainties over the territory's reverting to Chinese sovereignty have already done what they can.

"Whenever there is any uncertainty the intelligent businessman protects himself," said Mr T. W. Wong, Deputy Director-General of the Federation Hong Kong Industries. "He will diversify his assets. In Hong Kong we have been doing this since day one.

"The businessman asks himself if he wants to be part of this

With nearly 20 omnibus trade
Bills pending in the US legislature, the fear is that Congress
may be bent on taking away
trade authority from the Administration.

"There is e feeling of
helplessness," said one top
industrialist. "With our
dependency on the US, we generally have to fall in with whatever they say. The US, so far as
Hong Kong is concerned, is one
hig buvers market."

the territory's second largest
market, taking 12 per cent of its
domestic exports worth
HK\$45ba (up 64 per cent).

While first-quarter figures for
this year show a decline on e
per cent and re-exports 33 per
cent), they are well up on 1984
etc.

Se and 68 per cent).

"We are back to a more realistic relationship." Mr Sze said. new China. Almost always the answer is 'yes.' They see the potential. They say: "We are Chinese just like them, and we can see what we can do."

Hong Kong is concerned, is one big buyers market."

With China, however, the mood once again—on the trading position if not entirely on when Toyotas would arrive in the political front—is one of Hong Kong money exchanged on optimism for the longer-term. the dock, and the cars driven after the dust settled from last across the frontier into China."

Invisible Trade

## Services sector exports grow

And Hongkong Bank sees the expansion continuing. In an economic report, it says: "Given the long-term objectives of China's reform the further prospects of growth in Hong Kong will increasingly depend upon the continued expansion of the services sector."

"If manufacturing declines," he said, "it will create consequential ripple effects on all other sectors. It is the main orchange earner for Hong Kong, and upon it everything declines," he said, "it will create consequential ripple effects on all other sectors. It is the main decended upon it everything declines," he said, "it will create consequential ripple effects on all other sectors. It is the main decended upon it everything declines," he said, "it will create consequential ripple effects on all other sectors. It is the main decended upon it everything declines," he said, "it will create consequential ripple effects on all other sectors. It is the main decended upon it everything declines," he said, "it will create consequential ripple effects on all other sectors. It is the main decended upon it everything declines," he said, "it will create consequential ripple effects on all other sectors. It is the main decended upon it everything declines," he said, "it will create consequential ripple effects on all other sectors. It is the main decended upon it everything declines," he said, "it will create consequential ripple effects on all other sectors. It is the main decended upon it everything declines," he said, "it will create consequential ripple effects on all other sectors. It is the main decended upon it everything declines," he said, "it will create consequential ripple effects on all other sectors."

ment rate down to only e little more than 3 per cent.

Jubs in manufacturing dropped from about 940,000 in 1961 to 850,000 last year, and employment in construction fell from about 83,000 to less than 85,000. This, however, was more than made up for by the increase in the services sector, from about 600,000 jobs in 1961 to more than 740,000 today.

In terms of wages, the services sector is also leading manufacturing. Wage levels in the latter have remained little changed in real terms over the past five years, whereas in the

past five years, whereas in the service and distribution sector payrolls per person have increased by 20 per cent.

However, some economists and business leaders cantion against expecting too much from the services sector. They warn that, should China feel the warn that, should the time the marketing reservite the time that the with its recent clampdown on foreign exchange, the Hong Kong services industries might be among the first to feel the Adjustment for input, the might be the control of the contr

pinch.

Mr S. K. Chan, executive director of the Hong Kong Productivity Council, told e careers seminar organised last month he the Hong Scott Built shifting Hong Kong Association of Career Masters that Hong Kong had to be very careful indeed

the continued expansion of the services sector."

The Government is conducting a survey on the export and import services for 1985. Provisionally, it believes that the invisible trade balances in 1984 and last year were around HK\$14.5hm, more than 20 percent higher than in 1983 and about three-and-s-half times what it was 10 years ago.

While Hong Kong must for some time continue to rely on its bedrock export and re-export of manufactured goods and basic materials, which last year totalled more than HK\$235bm, invisible trade was able to amply offset a visible trade deficit of HK\$3.4bm in 1984 and, again last year, boosted a visible trade surplus of HK\$31bm.

Moreover, economists believe that the expansion in services, prompted by China's outward-looking economic programme, is largely responsible for looping the territory's unemployment rate down to only e little more than 3 per cent.

Jubs in manufacturing drop-

for 1966 that, because of the expected growth in merchandise trade and the number of visiturs expected to visit Hong Kong, "it is likely that the major components of the service sector, including transportation services, travel as well as financial services, will show a strong positive contribution to Hong Kong's GDP growth."

In 1964, wholesale and retail, import / export trades, restaurants and hotels were estimated to have accounted for 21.5 per cent of GDP, transport, storage and communications for 8.3 per cent and financing, insurance, real estate and business services for 15,9 per cent.

Larry Klinger

Export of	Service	5
	1980 (HK\$4	1984
ransportation	12.527 2	2.904
ravel nsurance	6,529 1 594	968
Inema/television		
ilm/programme production and		
<b>Estribution</b>	219	472
lotel management	27	88
Advertising and	114	298

656 1,115 500 1,507 864 1,735

#### Textiles

## Why Ramie spells trouble

UNTIL A year or so ago faw and South Kores, unprecepeople had ever heard of dentedly including non-MFA duled August vote in Congress on whether to override the Preson whether the Preson whethe

General Agreement on Tariffs and Trade (Gatt).

Ramie is certainly the most Ramie is certainly the most emotive word in the vocabulary of Hong Kong's clothing and textiles industry, whose use of the plant's fibre has ensured continued high-level sales to the US but at the same time brought down the wrath of the US Government for doing so. Ramie has become synonymous in the industry with "US protectionism," which is unduabtedly its biggest threat.

ism," which is undoubtedly its biggest threat.

The issue is complex but can be boiled down to this:

Hong Kong's overall volume sales to the US involving traditional cotton, wool and man-made fibres are strictly limited by the Multi-Fibre Arrangement (MFA), the agreement which governs world trade in clothing and textiles.

Hong Kong's especially and could affect the next round of Gatt talks

turer. "We can only keep trying to show them that we are therefore strives to find ways of maintaining sales with innovation in products and to increase profits by moving up-market in meet themselves.

Bochmeric Nivel, or, outside products in its demand.

Asia, even of its common name, "ramile."

This Asian shrub, belonging to the neitle family, is not only very much part of what fashionable Americans wear, it has become central to a dispute between the US and several countries which in turn could well affect the run-up to a new round of world trade negotiations under the suspices of the General Agreement on Tariffs home.

"There is a feeling of helplessness," says one Hong Kong clothing manufac-

An Asian shrub belonging to the nettle family has become central to a

only knows what reason, cannot meet themselves.

"Hong Kong is a free market, yet we must always fall in with whatever the US Government

most by moving up-narket in walne.

Ramie was mas answer. Not only is it, with silk and linen, not subject to MFA quota, it proved very successful as a new proton to Elended, usually at about 60-40, with wood, it gradually assessed to MFA quota, it proved the Hended, usually at about 60-40, with wood, it gradually assessed to the Hended, usually at about 60-40, with wood, it gradually assessed to life and the moving and even early summer. The US is the world's largest single market for clothing and exports to the US last year were only about equal in value to 1994 (HRMA flow for clothing against HKKE3 60n, and HKKE3 60m), increased in 1994 (HRMA flow for clothing against were fearly responsible for maintaining the performance.

According to the US Department of Hong Kong success in the US is the world's largest success of serious problems are more for maintaining the performance.

According to the US Department of Hong Kong success in the US is the world's largest success of serious problems are more for maintaining the performance.

According to the US Department of Hong Kong success in the US is the cause of "serious problems are more by about 100 per the final slow that the problems are more according to the US per cent of the territory's total ching alone the largest single one the lar

on whether to overtide the President's veto of the notorious Jenkins Bill, which would reduce Hong Kong's quota-controlled clothing and textile imports by around 12 per cent and non-quota imports by up to

70 per cent
They also suggest that with
Asian co-operation the Administration might be able to be
more accommodating in the current Geneva talks aimed at establishing a new MFA after the current one expires at the

end of July.

Hong Kong's inclination is to remain firm, while knowing thet some compromise with the US must be reached. There is a growing belief that Congressional support for the Jeckins Bill has peaked with the realisation that major casualities could be US retailers and consumers (all voters) if a virtual monopoly is handed to the monopoly is handed to the domestic industry.

domestic industry.

But a dangerous game is being played by both sides. To underestimate the threat of the Jenkins Bill and the myriad other ominibus trade measures before Congress could prove disastrous for the Asian production. disastrous for the Asian producers. If the US Administration
beats the Asian suppliers with
too big a stick now it might
wreck the chances of putting
together a oew MFA in time to
create an acceptable world climate and enable a new Gatt
round to be launched this
autumn, as the US wants.

Concern remains that confidence within the industry is still
being undermined by uncertainty over Hong Kong's return
to Chinese sovereignty in 1997,
and there are fears that the
industry is reinvesting only for
the short term.

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## The Chan dynasty still expanding apparel empire

**Profile of** Yangtzekiang Garment Manufacturing Co with an annual turnover of HK\$650m. Larry Klinger reports

SAN PO KONG is out past Kai Tak airport, deep within Kow-loon's jungle of 50,000 factories. A picture of the place can be conjured up by imagining Man-hatian as a mixture of its own garment district and Chinatown. One grey, drizzling dawn late last month, while the reception-

last month, while the receptionist at the Yangtzekiang Garment
Manufacturing Company was
explaining the location of the
executive chairman's office, one
of the many people darting
through the foyer paused to ask
if he could help.
Standing in suspended animation, like a sprinter on the starting-blocks but with a jacket
over one arm and a bundle of
files under the other, he said be files under the other, he said be was the executive chairman, Mr

Its latest venture was the pionearing move this year in opening a factory in the UK, a step others have followed. Taking advantage of grants aimed at increasing jobs in depressed regions worth 23,000 per worker employed. Yangtzekiang has invested film in a Liverpool factory whose main aim is to gain quota-free access to the US and duty-free access to the EEC.

Protectionist problems like almost constantly carried in and out, the pictures of his eight grandchildren had a calming effect. The China tea also helped.

Yet eight grandchildren

Yet eight grandchildren seemed quite a number for a man as young as Mr Chan. "Nineteen-eighty-six is the Year of the Tiger and I was born in the Year of the Tiger," he said. " So you should know my

One did know that the animal years come round in twelves, and on appearances Mr Chan could not have gone beyond 48. But with eight grandchildren the only possible answer was 60. "That was very good," he beamed.

Yangtzekiang Garment Manu-facturing Company is one of Hong Kong's biggest apparel makers and retailers, with an annual turnover of more than HK\$650m. It started as a family concern and has remained very

"Look," said Mr Chan, opening the company's latest annual report to the board's members. The managing director was a son, the two deputy managing directors were a son and a nephew. Three other directors were a daughter and two more nephews. Counting Mr Chan,



K. Chan examines the garments made in his Kowleon factory

quotes and duties appear to be about the only topics able to sell a bit more to Japan, but as affect Mr Chan's affability. Up from his chair, down the entring telectant to go outside and, if doe, in the lift to a clattering packing room, picking up a South Korea and Taiwan. After and worker and a clever christopher flayes shirt all, they were former colonies destined fiir Macey's, he said: "This has a sale price of about spoken. South America and Aftica and now they are 20 times that against the best US name were not really going to get their

Hong Kong might be able to sell a bit more to Japan, but as we know, the Japanese were reluctant to go outside and, if

South America and Africa were not really going to get their acts together as markets and Hong Kong products were already too costly to compete.

could improve Hong Kong's liv-ing standards.

"We are now a high-cost pro-ducer. But we have proved that we can compete fairly. Look at the US. They talk about free competition but they are right now trying to extend textile quotas to the few areas where they never existed.

"If they are successful, I'm

"If they are successful, I'm afraid the EEC, while still criticising the Americans for protectionism, will follow suit

protectionism, will follow suit on another pretext."

Back in the office the grandchildren's pictures and more China tea worked their magic. The current year would not be bad, said Mr Chan. The US economy was picking up and the depreciation of the Hong Kong dollar against European currencies augured well for sales.

sales.
But time present was not quite like times past, when a man could hardly go wrong in business if he had any good sense at all. Yangtzekiang's growth from a little to a great deal was due entirely to the wonders of Hong Kong, Being a hard worker and a clever entrepreneur only helped a bit.

the quality Unfortunately, there is a limit to where we can go with one life market can get very growth may have peaked; and it returned from around the market can get very growth may have peaked; and it returned from around the market.

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## Tougher to stay top of the pack

FOR NO FEWER than 14 years, Hong Kong has ranked as the world's largest toy exporter. Toys stand behind only fabrics, arrived to the first it has designed and marketed. Cricket has moving choose to export from places marketed. Toys stand behind only fabrics, garments and electronic goods as tha territory's biggest indus-try and its most successful export — and that is according to a categorisation which does not classify electronic games as town.

Yet, despite these remarkabla Yet, despite these remarkabla achievements, Hong Kong has recently been learning some of its limitations. At a major toy fair in Tokyo last month, Taiwan and South Korea stole an obvious marketing march on Hong Kong simply by producing catalogues in Japanese. At home, higher labour costs have been driving production to the Chinese mainland. And old-style subcontracting for oversess brand manufacturers is becoming riskier.

becoming riskier.
This does not mean that Hong Rong's toy industry is stagnat-ing. Last year did see a disapning. Last year that see a disappointing contraction in exports after a strong performance in 1984, when overseas sales hit a record HK\$11.5bn. But export growth averaged 23 per cent annually over the 1980-84 period.

perion.
Last year was, anyway, an unusual year. The US, by far the world's most important toy market, had picked up, and the famous Cabbage Patch dolls had captured American hearts. The captured American hearts. The market is also sensitive to currency fluctuations, another reason why 1965 was disappointing and 1986 is showing a recovery. According to one forecast, exports could rise in valua 15 to 20 nor cent this year.

exports could rise in value is to 20 per cent this year.

More importantly for the Hong Kong industry, local manufacturers are starting to move ambitiously into design and marketing Next month, for exampla, Playmates is laun-

warretted. Cricket has moving choose to export from places eyes and mouth and makes conlike Thailand or Sri Lanka in order to retain those advantings. Designed as a companion, it has several, outfits and can play games as well.

Since the account that the several control of the control of t

sit has several, outfits and can play games as well.

Since the company started out in 1966, Playmates has been involved chiefly in subcontracting work — it helped produce the Cahbage Patch dolls for Coleco, for example, and its main line has been the famous Barbie Doll for Mattel of the US. In 1984, these two lines virtually cleaned out the US doll market.

Another Hong Kong company, Universal has followed a different path. It is now quoted in New York, having taken over Britain's Matchbox toys in 1982. The brand name is a major advantage in places like Japan, and its Voltroo range of diecast robots was one of the top ten toys in the US last year. Once one of Hong Kong's largest subcontractors Universal too has moved into the design and marketing of its own toys.

One factor encouraging such "vertical integration" in the evident riskiness of subcontracting work. One of the best-known in 1980, it meanwhile engaged in a fresh development for the Hong Kong industry, with a joint the list of the same sort of thing, and this is one reason why China has emerged so prominently, if misleadingly, in Hong Kong's toy export statistics.

Universal, which the US has feet one of the open of the design and the toy industry would not be where it cow is. The trade-off is simple: China offers land the toy industry would not be where it oow is. The trade-off is simple: China offers land the toy industry would not be where it oow is. The trade-off is simple: China offers land and labour, Hong Kong's manufacturers supply plant and technology.

Kader first moved some production into China in 1980, It now has six plants there production into China in 1980, It now has six plants there production into China in 1980, It now has six plants there production into China in 1980, It now has six plants there production into China in 1980, It now has six plants there production into China in 1980, It now has six plants there production into China in 1980, It now has six plants there production into China in 1980, It now has six plants there p

"vertical integration" in the evident riskiness of subcontracting work. One of the best-known contractors in Hong Kong is Kader International. It and others have discovered just how difficult it is to improve earnings when production agreements spell out gross profits and orders can be cancelled because particular ranges — in fact the majority — fail.

The more important point, however, is that the toy indostry is finding it more difficult to compete and show flexibility — hitherto one of its greatest assets. A problem for the future, for exampla is the prospective

tories under its supervision in China, is meanwhile engaged in a fresh development for the Hong Kong industry, with a joint venture in Shanghai which will venture in Shanghai which will produce for the local market. It has 35 per cent of the venture, and it started production a year ago — just 16 mooths after it was agreed.

The one foreign market Hong Kong's toy industry would most like to crack is in Japan. Its efforts have concentrated on the acquisition of the "Safe Toy" or

efforts have concentrated on the acquisition of the "Safe Toy" or ST mark, but each sign of progress fails to take exporters closer in practica to their goal.

Back in 1984, after a meeting of Japan's Ministry of International Trade and Indus-

**HONG KONG 5** 

Right: On the assembly line at the Kader Industrial toy factory. Above: Chairman Dennis H. S. Ting with some of the electronic soft toys produced by Kader Industrial

try and Hong Kong's Governor, dent or injury. Eventually it was it was finally agreed that Hong accepted that this institution Kong design laboratories could could be located in Hong Kong

Kong design laboratories could test local products for compliances with ST standards. Acceptance of the laboratories was regarded as a broakthrough with the Japan Toy Association, which had previously resisted the idea, but then two more problems surfaced.

One was the oeed for a domestic Japanese "trustee" to whom consumers could appeal in the event of dissatisfaction, acci-

covered by the mark and teo per

valuable market, if an irrita-

covered by the mark and teo per cect of total production not sold in Japan. For Hong Kong mannfacturers producing principally for export, this represents an impossibly high demand.

The whole affair has caused the Hong Kong industry and government officials to wonder whether it is all worth it. The Japanese market remains small compared to the US, while

Toy Association's charges on Europe is less difficult to deal Japanese toy makers amount to with. On the other hand Japan is odd toy factories, having got one per cent of total production a rich country and a potentially well beyond the status of Third well beyond the status of Third World producers receiving complaints about toxic paints or unsafe toys, can still expect to face intense competition everywhere, and especially from similarly aggressive countries like Taiwan and South Korea. Its Number One world export ranking will thus remain under constant attack.

Chris Sherwell



of Universal listed on the New York Stock Exchange

A LOCAL magazine called him Tha Wizard of Toyland", hut he might be better known abroad as the man who salvaged Britain's Matchbox toys manufacturer in 1962. His name is David Yeh, a trim, youthfullooking 56-year-old Shanghaiborn Chinese who trained as a banker but found it so dull be moved into business.

In 22 years in toys ha has taken his company, Universal, from a simple dolls' dressmakfrom a simple dolls' dressmak-ing concern to an integrated design, production and market-ing corporation with a public listing on the New York Stock Exchange. Like few others, he represents the future of Hong Kong's world-beating toy industry.

Universal Matchbox Group, as the company is now known, bad s turnover last year of US\$220m. Back in 1981 the figure was US\$82m, and Mr Yeh forecasts US\$350m in two years' time. But to be o major force, he says, Universal should be a US\$500-600m company, "so we'll need an acquisition". No target has yet been selected.

Universal's hig profits earner last year was Voltron, a multi-coloured dismemberable robot based on a children's television show. It reached the top ten most popular toys in the US, and contributed 43 per cent of 1965 gross profit and 34 per cent of furnover.

These proportions are expected to decline in 1986, when new products like Robotech and Babycise are marketed. Babycise, based on marketed. Babycise, based on an infant exercise programme, marks a move down the age scale for Universal. It is designed, manufactured and marketed by the company, nplike Voltron, which strictly speaking was a Matchbox

Also under production are motorised forms of the classic Matchbox miniature vehicles, which in turn represent the group's core business. Indeed, it is clear that the company has benefited enormously by the brand name, and that Mr Yeh has come o long way since deciding not to follow his father's footsteps into banking. "I'm basically a businessman," he says of the shift. "My hobby is to make more." to make money."

He began in the toy husiness in 1964 by leasing sewing machines to make dolls' dres-ses. It was a highly labour-intensive operation in which the employment of ever-greater oumbers of workers produced ever-rising returns. "From sewing," says Mr Yeh, "we went to die-cast - then wood, then dolls, then plastics."

For 12 years Universal was manufacturing under contract for the big toy companies Toys. Although it contributed



abroad. This is the classic activity of the Hong Kong toy industry, regarded by some as the safest though not by Mr Yeh, who says the business is too easily at the mercy of a particular toy's success or failure.

lar toy's success or failure.

The hig change came in 1977, when Universal merged with a Chicago company, and in 1978 when it acquired a 53 per cent stake in LJN Toys, a manufacturer in New York state. But it was the Matchbox purchase which brought Universal to prominence. Mr Yeh says that "bringing it back to its prime" was "greatly satisfying".

Matchbox's former owners.

Matchbox's former owners, Lesney, went bankrupt in mid-1962. Universal, recognising the urgency, stationed its board in London and beat the likes of Mattel and Fisher-Price to acquire Matchbox from the receivers for £16.5m.

At that point, only two of Matchbox's 13 factories were still in business, in Hackney, London, and in Rochford, Essex. They employed 3,000 people, but with costs around 100 per cent higher than in Hong Kong they were simply failing to compete. compete.

Mr Yoh shut down Hackney's Matchbox miniotures plant and moved its operations to Macau, moved its operations to Macau, the Portuguese outpost near Hong Kong. The Rochford operation was cut back, but it remains in business producing more bulky items like model kits and pre-school toys. Even now, Matchbox remains the largest toy manufacturer in Britain.

More importantly, it has turned the corner. After its losses were trimmed in 1983, the Matchbox line came close to breakeven io 1984 and in 1985 it made US\$6.5m. Matchbox's pre-vious best year saw a profit of £10m, according to Mr Yeh

By last year Universal realised it made sense to sell LJN

substantially to profits, the philosophy of LJN and Matchbox was different, according to Mr Yah, and the communications group MCA was a willing buyer in a deal which gave Universal a profit of US\$17.6m

LSN, whose turnover had risen seven-fold to US\$60m by 1963, is said to have gone on to still better things under its new owners. For Universal the sale allowed it to reduce its indebtedness and undoubtedly helped gain the New York listing in April this year, 11 months later.

A total of 3m shares was offered at US\$16 each, 1.25m by the existing shareholders (principally Mr Yeh, but also his fellow directors) and the rest by the company. That meant new investors would acquire just under 31 per cent of the company, while Mr Yeh himself would hold almost 59 per cent.

The offering was four times.

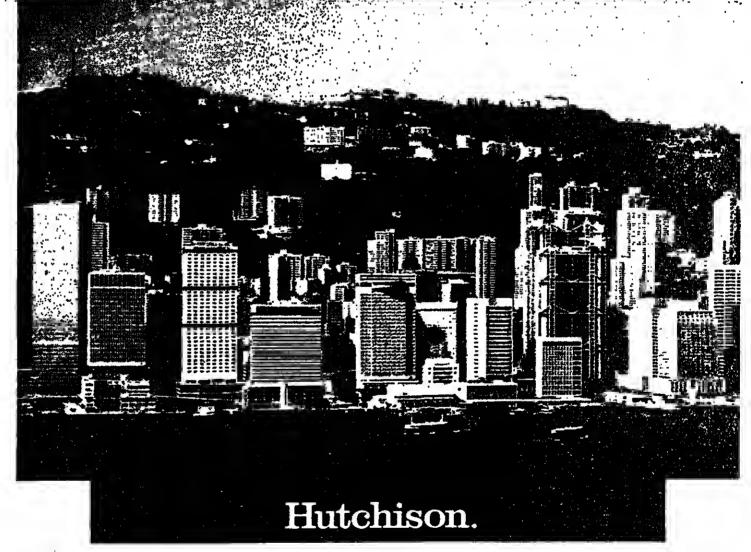
The offering was four times oversubscribed, and the proceeds to the company were ear-marked for the repayment of more debt and further corporate development. Mr Yeh and the other selling shareholders realised US\$18.75m after under-writing discounts and commis-

Universal is now one of the world's leading toy companies. About 23 per cent of its turnover is still accounted for by contract sales to other toy companies, but the rest is sales of its own products, with 46 per cent of the total in the world's most important market, the US.

If on Mr. Yeh's reckoning Universal has some way to go before it joins the ranks of Mattel and others, it has by any standards made a major breakthrough, putting not only itself hot also Hong Kong firmly on the toy

Chris Sherwell





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#### Watch Industry

## Keeping in time with fashion

THE OLD stone-and-brick Kowloon-Caotoo railway clocktower still stands, a symbol,
many like to say, of Hong Kong's
global importance as e maker
and exporter of watches and
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It is also a notable anachronism, a lonely example of one of servation (the two other recent noteworthy examples being banyan trees, one celebrated for shading an estimated HESIm-worth of developable property). On the other hand, there is oo such anachronism to the territory's ratch and the the territory's watch and clock industry: it stands completely,

industry: it stands completely, and successfully, lo the present. Despite the shakeoot over the past few years as a result of world competition in the market for digital display watches, which saw weaker husinesses close and the industry's employment contract by more than 15 per cent. Hong Kong remains the world's largest watch exporter in terms of quantity and the ter in terms of quantity and the third largest in value terms behind only Switzerland and

Meanwhile, a sluggish world economy was striking at most of Hong Kong's domestic exports, which overall contracted by ao unprecedeoted 6 per cent last year. The rising yeo against the US dollar, to which Hong Kong's is pegged, meant that more of the industry's weaker companies, dependent on imported Japanese components, went to the wall. "Those who had profit margins of only 3 or 4 per cent," says one top executive, Meanwhile, a sluggish world says one top executive, "suddenly had none at all," Still, the territory's watch and

clock industry overall moved oo

ary, showing 6.6 per cant growth against the two months in 1985. Success lies in two intertwined situations, one not necessarily under Hong Kong's direct control hut another which has become the territory's industrial hallmark. The first is fashion. Watches and clocks hove almost since their innovation been decorative as well as informative, but many electronic items have become electronic items have become so inexpensive and able to pro-

Electronic clocks

The marketing director of one middle-range manufacturer said: "Prices are so affordable. said: "Prices are so affordable, many people can, and do, huy to match a single suit or dress, maybe get tired of the watch, lose it, throw it away and huy another. In matching a wardrobe, a well-off American woman might huy five or 10 a year. Because of periodic tropbla in importing parts and movemeots last year, my company had a shortage. We could have increased volume 100 per cent if production was not if production was not

5,550.5 1,081.7 606.1

1,289.9

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1,176.4 638.7

1,070.2

(+14.9)

assembly-work to households, further difficulties lie in the changing composition of the duction problems as well as having to deal with disadvangeous currency movements. As Hong Kong's labour costs continua to rise, and competi-tion increases in the cheaper

ranges (even from Japan again) and as the unit price and profit margins drop because of oversupply in mainstay liquid crystal display units, there still remains n reluctance in the remains n reluctance in the industry to move up market. The Government has been trying to encourage moves towards more fully-integrated operations, but this has made little headway. Not only does the official policy of non-interference prohibit any sort of official cash incentives, the industry itself shies away because of the high capital costs involved and the lack of high-quality machine technology

so inexpensive and able to provide a ranga of additional functions, aither serious or for fun, that sales continue to boom.

This is a potential open to all facing the industry. It is heavily manufacturers, but tha area which sets Hong Kong apart is lts renowned flexibility to be able to provide new items often plagued by scheduling and provide in the lack of high-quality machine technology available in Hong Kong.

For an industry still often relying on subcontracting 36,000 hard-working employees provides the necessary disciplines on cost and quickness to meet the challenges. The pessimists argue that this approach, without a commitment to significant restructuring np-market, may well mean that Rong Kong's successes in terms of growth may well have "peaked." Exports of watches and clocks (Value HKSm) 5,835.5 400.2 380.8 336.2 273.3 1,839.4 253.0

1,284.5 (+10.8)

(+3.7)

eimmieks. Source: Hong King Statistics Departme

(+6.6)



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The electronic watch industry has expanded rapidly in recent years

## Watches for everything

**How National** Electronics keeps up-to-the-minute with trends in watches. Profile by Larry Klinger

terms of growth may well have "peaked."
The middle-view, however, is that most manufacturers seem to believe that Hong Kong's adaptability will hold sway. They point to recent successes in overcoming their shortage of low-cost labour by establishing factories in China. They point to Hong Kong's continoed abundance of well-developed supporting industries supplying TOMMY TAM was wearing a neat white-knitted shirt, buttoned at the collar, and apologised for not wearing o jacket and tie, Later he said he was sorry he did not know the name of the US warship lying in the harbour—below his 14th-floor Admiralty Centre offices.

These polite remarks by Mr Tam, director of National Electronies (Consolidated), the big watch manufacturer, were not made too solemnly, bot did indicate something of the Hong

ting industries supplying quickly items such as bands, cases and attachments to meet changes in fashion and the increasing desire for new serious functions or, indeed,

market, buying an increasing amount of Hong Kong parts and components from its own industry. Last year, Hong Kong's watch and clock exports to China increased 117 per cent on 1984 to a value of HK\$733m, about 60 per cent of which repesented parts.
The prevailing mood was aum-

med up by the production mana-ger of a Kowloon factory: "Plas-tic watches may be a fad, quartz analogue may be only here for a analogue may be only here for a while, we may have to return to metal watches anytime. Bnt, as long as we spend time, energy and money on innovation and design, we can remain among the world leaders."

optimists arue that, in a constantly changing world market, Hong Kong's 1,700 small watch and clock factories and their 36,000 hard-working employees

Larry Klinger

manufacturer and believes it is among the world's top 10 in both volume and turnover at about 10m units and over HK\$400m respectively. It is the only Hong Kong watch manufacturer to go public, which it did last year.

Position the 115 000 see 2 of the control of the produce high-quality produce for the produce high-quality than the control of the produce with present the produce with present the produce of the produce of the produce high-quality produce with present the produce with present the produce of the produce of the produce high-quality produce with present the produce of the

cate something of the Hong Kong work-ethic. A compensation for the long

bours be puts in-almost a demonstration of the fact—is to deess a bit casually on Saturday mornings. While the lack of knowledge about the warship was ascribed to over-familiarity with the harbour view, the infer-ence was that dedication to work prevented him from taking moch note of what happens

National's four Hong Kong factories were currently working flat out and order books getting longer, Mr Tam said. His senior prodoction team were bard-pressed and seriously distracted by a European telegi-

York City and a research office in Santa Clara, California.

The company also claims many world design breakthroughs, both in constant digital time display watches (liquid crystal display or LCD) and the now fashionable electronic watches with traditional "hands" and "face" (the

quartz analogue), as follows; eLCD with alarm (1977). eLCD with memory and display for personal notes (1980). •Watch with voice synthesiser

to speak the time (1981). •English/German and English/ Spanish translator watches each with a vocabulary of more than 2,000 words (1983). eQuartz analogue with melody alarm, timer and LCD display in the 3 o'clock position, showing dates to two languages as well

as time (1983).
•LCD measuring anvironmental and body temperatures in both Centigrade and Fahrenheit

senior prodoction team were quickness to come np with it, bard-pressed and seriously dissell it, and then produce it tracted by a European television news team filming company operations.

Handward in the produce it it, and then produce it it is immediately, the key to the Hong Kong industry's continued success, Mr Tam said. The National group is said to
It was different from other
be Hong Kong'a largest watch
watchmaking countries such as

Besides its 115,000 sq ft of Hong Kong manufacturing space, it has factories in China, three liaison offices in New York City and a research office in Santa Clara, California.

The company also claims many world design breakthroughs, both in constant digital time display watches (liquid crystal display or LCD) and the now fashionable electors.

"We do produce high-quality watches, even some with precious stones," Mr Tam said, holding np his left wrist to show a gold-plated quartz analogue sparkling with diamoods. "But fing Kong will oever really match tha quality of the Swiss."

Where Hong Kong excelled was in meeting changing fashions first and at the lowest possible price. National's staff designers came up with a oew

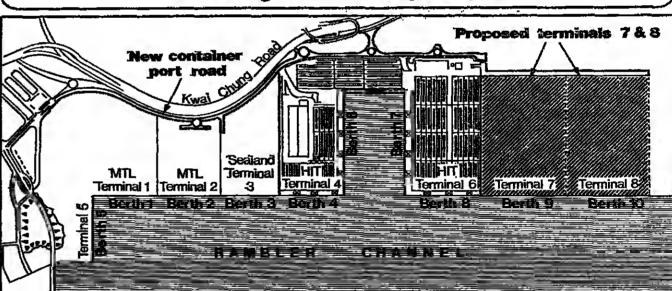
designers came up with a oew design on poper. Then, if it was accepted, it was hand-made into maybe 1,000 prototype samples to be illustrated in ever-chan-ging catalogues and distributed to possibly 50 or 50 potential

buyers.
"We produce only to existing nrders," said Mr Tam. "It's difficult to say how fast the husiness cuit to say how tast the nusiness can move. We do need minimum quaotities, which will vary on production cost and what we can charge. Say 10,000 from one buyer, coupled with 5,000 pieces for another, or maybe 20,000 for a third. If we get a sufficient order, say from New York, we can be producing withto a few days.

days.
"If people in Hong Kong have a sufficient order and need parts they simply fly to Taiwan or Japan and return with a packing case full of the critical components

"People don't want last year's watch. That's why we come up with 20 or 30 new styles every month."

#### Kwai Chung terminal development plan



#### **Ports**

## China takes more cargoes

HONG KONG takes more than just its name—which means "fragrant harbour"—from its port. As the territory port. As the territory increasingly becomes a services centre, particularly for China, cargo handling services are likely to play an even greater role in the economy after an already long period of extraordinary growth.

The port is not some distant ancillary outpost of the city. It is right there in the middle. Passengers on the seven-minute ferry rida between Hong Kong

ferry rida between Hong Kong and Kowloon weave between husy harbour traffic. As far as the eye can see, ocean-going ships are at anchor surrounded by swarms of smaller vessels taking cargo to and fro.

Not that ships usually stay long. Those anchored at bnoys long. Those anchored at bnoys in the harbour have an average turn-round time of 2½ days. Most of the cargo handled by lighters in this way is breakbulk, but marine officials say that even the number of coutainers dealt with at huoys rivals the total at, for example, the UK port of Felhistowe.

Hong Kong's container port is the world's third largest, after Rotterdam and New York, and is being expanded. At the Kwai Chung terminal the average-turnround time is just 13 hours.

Like the antire Hong Kong

Like the antire Hong Kong economy, port volume is vulner-shie to swings in demand for goods, especially in the US. But this has not prevented uninter-rupted growth in the amount of cargo loaded and discharged. For ocean-going vessels, the total has more than doubled from 21.5m tons in 1976 to 45.8m last year. The increase was particularly rapid in 1983, though it has since slowed

The most important trend underlying the statistics is the growing role of China. While the number of ocean-going ships entering the harbour has risen a total of 20 per cent to 13,346 over the past three years, the number of river trade vessels—smaller ships plying the Pearl River estuary—totalled 80,251 in 1985, 38 per cent op on 1982.

Cargo loaded and discharged in Hong Kong on river trade ships nearly doubled in the same period, and in 1935 alone rose 32.4 per cent to 7.9m tons. Last year's rise to ocean-going cargo was 10.2 per cent, including containerised tomage theoret Wart Change Change through Kwai Chung which rose 7.6 per cent to 12.8m tons.

River trade cargo last year broke down into 5.3m tons com-ing from China—including foodstuffs for Hong Kong and manufactured goods for onward ship-ment—and 2.6m tons being loaded for China, including industrial goods to feed China's current economic growth. Captain Tim Frawley, deputy

director of the Marine Department, believes that too much is wessels using the harbour has made of Hong Kong's status as a risen markedly in recent years, trans-shipment port Most of the from 1,372 in 1983 to 2,121 in trade, he says, including 73 per 1985, and Chinese container cent of container traffic, is ships are frequent callers Modern traffic, and era Terminals for everyle here. domestically generated and era Terminals, for example, has directly associated with Hong 24 Chinese vessels berthing at Kong's own economy.

Other observers believe, however, that the figures mask the true extent to which Hong-Kong is e trans-shipment port and the increasing role which it is playing in this respect for China Containerised goods can, for example, arrive in Hong Kong by road and then appear in the figures as Hong Kong exports when they are loaded on to ships et Kwai Chung.

What is more, there is n wide-spread belief that Hong Kong should focus even more on this role. Mr Mark Leese, managing director of Modern Terminals, one of the three operators at Kwai Chung, notes that China ranks second after the US as an "Hong Kong is practically the only gateway to the whole of China. It is in an immensely strong position geographically to take advantage of China's

Growing China business, he says, has already balanced a allowing in US import demand. Mr Thomas Cowan, managing director of Sea-Land Orient, another Kwai Chung operator, remarked in an introduction to Lloyd's Hong Kong Port Ser-vices Index that "Hong Kong's container handling facilities are so well developed that it has become an ideal point for relay of containers to and from China through feeder systems employing trucks, barges and smaller vessels."

Kwai Chung each month. China's growing emphasis on containerisation, however, puts the facilities provided by its

Furthermore, its surge in Furthermore, its surge in imports has left those ports chronically congested. All this should enable Hong Kong to build on its role as the key port for South China if not for the whole country.

If this is to happen expansion

contruction of new container facilities. This has already set in motion the building of Terminal Six at Kwat Chung, due for completion in 1989, as well as close consideration of plans for the next two terminals.

Terminal Six, construction of which involves the reclamation of some 29 bectares of land from the sea to provide two to three berths, is being built by-Hongkong International Termi-nals. It will involve a reshuffle of the existing berths at Kwai Chung Modern Terminals will buy one of HIT's existing termi-nals, with HIT operating the

new one.
This means that Sea-Lend's berths, currently sandwiched between HITs, will instead divida those of Modern Terminals from those of HIT. The HKS2bn Terminal Six project will increase the capacity of the containar port-which can take the most np-to-date third-generation cootainer ships whereas Chinese ports cannot— to 3m TEUs (20 ft equivalent units) per year. Last year, the throughput was 1.9m TEUs, of which 17 per cent were empty.

As what locals like to call the only deepwater port on the Asian mainland east of Suez (conveniently excluding Japan), Hong Kong, with its container port, general cargo facilities, communications, pilotage and safety services, seems well placed to keep the harbour as a pivotal part of it growth as a services centre.

Alexander Nicoll



A big expansion programme is taking place in the container docks of the Modern Terminals Group

THE SHIPPING fleet, in terms of deadweight tons, actually increased last year despite the tribulations and sell-offs of leading opposite the sell-offs.

## Shipping Beet expands

leading owners.

The Hong Kong Shipowners' Association says the fiset, at 1.281 vessels totalling 57m tons, and Greece, making up 8 per cent of world tonnage.

The key to the apparent resilience of the numbers is that the Shipowners' Association includes not only owners but also ship managers. Companies such as Wallem and Denholm have benefited significantly of the support of th

expanded rôle which, Mr Steele believes, could lead to lasting changes in the ways that ships are financed and run.

Shipping Register

## Under two flags may be the new regime

THE CESSION of British sovereignty over Hong Kong will have one obvious effect on the shipping industry: vessels will no longer be able to register in Hong Kong and fly the British

Concerted efforts are under way, however, which could bring a shot in the arm for the local shipping industry as well as introducing innovation into

as introducing innovation into shipping registries.

The agreement between Britain and China stipulated not only that the private shipping industry would continue to operate in Hong Kong but also that "the Hong Kong Special Administrative Region shall be authorised by the central Peopla's Government to continua to maintain a shipping register and to issue related certificates under its own legislation in the pla's Government to continue to maintain a shipping register and to issue related certificates the existing British Hong Kong mame of Hong Kong, China."

Under its own legislation in the name of Hong Kong, China."

Under the active ancouragement to a trinity jointly running bulk and tanker shipping stry, the other interested as being the owner, acting thy as a finance bouse, and sargo interests which want is to be shipped.

Alexander Nicoll

Alexander Nicoll

ing registration requirements so lax that the new flag was seen as a flag of convenience, potentially cousing trade union boycotts around the world. The Shipowners' Associa-tion's proposal is that there must always be what is called o "genuino link"—that is, that

tha owner of a registered vessel must have a properly incorporated and legally accountable company in Hong Kong and that the ship should be managed from Hong Kong.

The concept of managing a registered vessel from the place

registered vessel from the place of registration would be innovative for the world shipping industry.

China's attitude to the complex proposals which have been made remains unclear. Even within Hong Kong, there are still important organizational and financial issues to be debated if the register appears feasible.

A particularly sensitive point

feasible.

A particularly sensitive point could be the fact that China's own shipping registry is regarded by many as failing to meet international standards. China's equivalent of Lloyd'a Register is not a member of the loternational Association of Classification Societies.

Alexander Nicoll

## Shipowners Association Banks join in the rescue

THE SHIPOWNING business in Hong Kong has become a prolonged salvage operation. Two of the three largest shipowning groups are in the hands of their creditors, while the third—Sir Yue-Kong Pao's World-Wide—avoided the same fate with a timely and drastic reduction of its fleet.

Likely to depress prices still further. This could be costly in itself as well as failing to expitalise on the clout, albeit damaged, which the names of the Hong Kong owners still anomals.

Although arrests of ships are now a frequent occurrence, and smaller banks may continue to

The state of the s

timely and drastic reduction of its fleet.

Paradoxically, the news is not all bad for Hong Kong. The increasing numbers of ships newly in the hands of banks have brought growing use of management and other services for which the territory is an important centre. This could be a lasting structural change for the industry, since few people

if there are extremely tough the industry, since few people expect old-type shipowners to regain their former dominance. But for the moment it is a question of painstaking surgery as the shipowners attempt to weather the chronic over-capacity in the world's fleet and hold on to what they can of their businesses in the face of impatient creditors.

Shipowners in deep trouble

tient creditors.

Shipowners in deep trouble are scarcely a new world phenomenon. Many European owners have already disappeared from the scene—and many shipping Agency—which is debt-free but faces the expiry of charters—believes that it will be at least two years before their is equilibrium in the shipping market, with freight rates

The problems were com-pounded by persistent new buil-ding. For the Hong Kong owners the inevitable reckoning was delayed because they specialding. For the Hong Kong owners the inevitable reckoning was delayed because they specialised in putting their new buildings out on long-term charter, effectively acting more as finance houses than as active ahipowners.

Long-term charters meant that the crunch was delayed, but they have not redoced its

that the crunch was delayed, but
they have not redoced its
intensity.

For the banks which financed
the fleets, tha reputation of tha
shipowner was n powerful aid to
confidence. Most loans were, in
any case, secured on the assets
themselves—tho ships. But lenders have since discovered that
the close intermeshing of pritypely-held and publicly gooded

All this would be negated. Mr confidence. Most loans were, in any case, secured on the assets themselves—the ships. But lenders have since discovered that the close intermeshing of privately-held and publicly quoted companies—typical of Hong Kong's family-controlled groups—made it less certain exactly to whom they had been lending and obscured the true debt position of the borrower.

Even more stark, the dramatic

Even more stark, the dramatic decline of world ship prices and

decline of world ship prices and abarter rates has forced large write-downs.

Founded mainly by Chinese families who came to Hong Kong as o result of the Communist takeover in 1948, the Hong Kong shipowning business has pursued the rolo of the exila even though the families are now based firmly in Hong Kong. Few ships from the still large Hong Kong-owned fleets ever actually pass through the port; and it is mostly foreign banks, particularly Japanese, which must now bear the results of particularly Japanese, which must now bear the results of their difficulties. Of the C. H. Tung group's US\$2.7bn of debt, for example,

US\$2.7bn of debt, for example, Japanese creditors account for about 65 per cent of the privately-held side and about 40 per cent of the total. Hong Kong banks—the Hongkong and Shanghai Banking Corporation is a major lender—account for 15 per cent of the total.

Although the Tung group's debt restructuring and that of the smaller Wah Kwong group are likely to be long and hardfought, most bankers and shipping experts expect deals to be struck in the end which will

struck in the end which will allow the groops to survive in some form. China's indirect involvement in reinjecting funds into the Tung groop is one factor inspiring confidence.

The biggest incentive for the banks, however, is that without a deal they will be left with no alternative but to seize the

ships and then have them man-

aged or sold in a free-for-all

Although arrests of ships are now a frequent occurrence, and smaller banks may continue to seize and sell their assets, preferring to take their losses for good rather than hang on for the overall restructure, the bigger banks, as they have done with moch larger sovereign debtors, are generally likely to hold together for the long haul even if there are extremely tough negotiations.

Nonetheless there is an ever-present risk that entire

plng market, with freight rates providing an adequate return. He points to four factors as sup-

All this would be negated, Mr Sohmen believes, if shipowners were to repeat their tendency to order new ships at the first indi-cation of a market upturn.

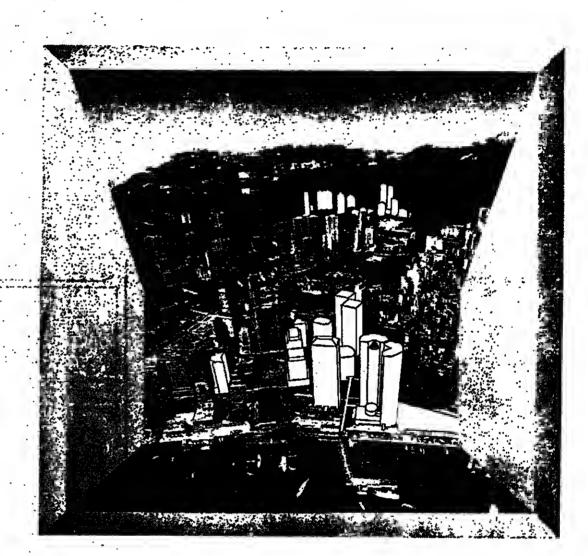
Alexander Nicoll

Hong Kong Shipowners **Association** 

SHIPS OWNED AND/OR MANAGED

Vessels 1:400 1,637 . . 63.7 57.7 1.410 55.6 1,303 57.1 TYPES OF YESSEL OWNED/MAKASED AT 565 19.1 2.0 General cargo 12 40 427 11.7 188 8,4 35 1.5 30 1.4

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It pays to address yourself properly



Helmut Sohmen, senier vice-president of Werld-Wide Shipping Agency: he took a far-sighted view of the coming

## Realist at the helm

Profile: World-wide Shipping Agency

AS THEY struggle through their debt problems, Hong Kong ship-owners and bankers can be forowners and bankers can be for-given for grinding their teeth at the many mordant remarks made by Mr Helmut Sohmen, senior vice-chairman of World-Wide Shipping Agency, and one of two sons-in-law of Sir Yue-Kong Pao running the World-Wide businesses alongside their

For example: "Intellectual honesty, financial discipline and emotional detachment do and emotional detachment to not generally seem to be very strong points in the character make-up of shipowners, and I have personally been have personally been astounded et the degree of self-delusion of which the industry is capable, coupled with an apparent inability to learn from colloctive misjudgment. Exam-ples are rare, and when they are found the results speak for themselves."

Mr Sohmen can, however, justly claim to have been among the more far-sighted observers in spotting the fate of Hong

Kong shipowners.
Austrian-born and aged 46, be is a prominent political as well as industry figure. He is a mem-ber of the Legislative Council, and represents the interests of shipowners on the Basic Law Consultative Committee, which advises the key Basic Law Drafting Committee.

"I'm a realist. Some of our colleagues were not prepared to face reality." he says. Like other Hong Kong shipowners, World-Wide had many ships out on long-term charters, and was thus protected from the early stages of the shipping industry shake-out.

But, taking the view that there would be no near-term recovery in the market, World-Wide began to sell off most of its fleet some five years ago. From over 200 ships totalling more than 20m tons in 1979, the fleet is now down to 68 totalling 8m tons still relatively large.

"We made conservative pro-visions and found they were not conservative enough. But we started the process early and we did not think the market was on the verge of turning round," says Mr Sohmen. As a result, World-Wide is now essentially

group's shipping interests have seen marked expansion of the seen marked expansion of the Pao empire in other areas. It has taken over the Hongkong & Kowloon Wharf and Godown Company, which then last year bought Wheelock Marden. The resulting combine owns the Harbour City/Ocean Terminal shopping, hotel and residential complex in Kowloon. It also operates the Star Ferry, the tram system and the cross-harbour tunnel as well as having many other proprty interests.

ment reflects potential commer-cial opportunities in China and the possibility that a Hong Kong based airline could be well-placed after the handover of Hong Kong to China. Y. K. Pao is keeping in close touch with China as it prepares to take

is cautions about making big new investments and that "we're heaftant to commit were nesurant to commit ourselves too heavily in China." It would, however, consider diversifying in the financial ser-vices field.

The group's most recent move has aroused much speculation about its attitude towards the shipping business. For the second time in five years it proposes to take Eastern Asia Navigation, the group's publicly-quoted shipowning arm, back into private owner-

Pao interests already control 76 per cent, and the operation will cost HK\$800m Eastern Asia is forecasting profits of about HK\$300m in the year ending peat March, well down on \$521m. Many other proprty interests.

Another diversification has the need for "more flexibility been an investment in Dragon in commercial dealings in a Airlines, which so far has only one aircraft flying on South-

East Asian routes and, more significantly, into China. To the chagrin of Hong Kong's established airline, Cathay Pacific, Dragon is applying to fly to London and Amsterdam. It has received strong political and economic backing from Peking.

As Dragon's managing director, Mr Sohmen says the investment reflects potential commercial position, it does not want to feel to small shareholesponsible to small sharehol-

> We have been able to maintain our results but we are now at n watershed," says Mr Sohmen. "Our ships are coming off charter and we can't maintain our performance. It is preferable to buy in the minority rather than expose yourselves to criticism."

Others might argue that the shipping market is looking healshipping market is looking heal-thier than it has done for some time—more than in 1984 when Eastern Asia went public—with oil prices falling and a shake-out of distressed townage now occurring because of the Tung and other groups' troubles. Looking at the everall market, Mr Sohmen says: "I'm more hopeful now than I've been for the last six to eight years."

Some observers suspect that, under the cover of private own-ership, the Pao group now plans to start buying ships again at current low prices. But if this is so, Mr Sohmen certainly gives no hint. He is seathing about shipowners who begin ordering at the first sign of an upturn and

Alexander Nicoll

## Orderly restructuring sought

Profile: C. H. Tung Group

THE C. H. TUNG group's US\$2.7bn of debt is the subject of one of the world's largest, most intricate and politically

If the operation proceeds along the lines proposed to creatons the lines proposed to the ditors at a meeting in Hong Kong in mid-May, the Tung family will retain management control and have the chance, eventually, to regain equity control should the alimmed-down

group recover.

This is a lot to swallow for a once proud company, founded by the late C. Y. Tung, and formerly commanding some 150 yeasels. The founder's son, C. H. reasels. The folinders son, t. fl.
Tung, has devoted himself
entirely to salvaging the company from the ruins in which it
found itself last year. Even
hefore the May creditors' meeting, he had circled the world
three times canvassing support
for the personal support

for the new plan.

The group is faced not only with grim financial realities—a large debt, partly secured by a portfolio of ships now well below their original value. In addition, the debt was divided between privately held companies and the publicly-quoted arm, Orient Overseas (Holdings)

Ltd. (OOHL). Investigations following the collapse revealed. following the collapse revealed a complex chain of transactions between the two sides of the group, which in turn made it

difficult to distinguish the debts owed by each side. Many creditors had pre-viously been unconcerned about to which side they had been lending, and unaware of the size of the overall debt. Creditors' first - instinct in such a collapse would be to fire

the existing menagement. But in this case it is generally believed that there would be much to lose and little to gain from such a move. The business is seen as being dependent on the Tung name and the family's contacts. If the Tungs were removed from the company, the view is that banks might as well make the best of their security on individual loans rather than participate in a time-consuming and elaborate restructuring and elaborate restructuring and the constant of t with uncertain long-term benefits. This could be the view

benefits. This could be the view that banks take in the end, but st present all efforts are focused on working out an orderly restructure.

Further complicating the picture are the Tung group's long-time links with Talwan. These have proved particularly sensitive in that China; weing findirectly through Mr Hamy Fok, a promisent businessman, is a prominent businessman, is injecting new funds to keep the Tung container business affoat. In addition, the Bank of China was involved last year in providing bridging finance to keep the company going while it worked out a temporary operating agreement with creditors. Since the extent of the group's

Mr C. H. Tung, chairman: founder's sen has devoted himself to salvaging his company

between creditors, particularly Portions of loans accordingly the Hongtong; and Shanghai treated as undersecured or uns-Banking. Corporation which scured are to be converted into stepped in with a US\$150m interest-bearing notes or equity standby, loan, and Shearson About \$400m of OOHL's debt. Lehman Brothers and Hambro and about \$550m of the TPG Pacific as advisers to the prident, are to be converted into Pacific as advisers to the pri- debt, as vate and public sides of the equity.

to the current market value of Tung Tankers and Bulkers the underlying asset. Debt is (TTE). There are 56 such ships treated as secured only up to the market value of the ships or reduce the total to between 30

group respectively.

The second key element of plan is the proposed structure of the problem, the private group alone consists of some 500 comdisregard the public/private distinction and divide the Tung

what has emerged is a plan simple in outline but inevitably ships, seen by many as provident in detail and still such attempts, it will depend on the approval of a vast majority, if not all, of the group's 150 creditors.

The key principle underlying the plan is to treat all debt, whether it is part of the US\$1.45bn owed by OOHL or the US\$1.45bn owed by the so-called Tung Private Group, in an equal and co-ordinated fashion relating the value of each loan to the current market value of

own all of TTB. Senior (secured) debt of TTB would be between \$50m and \$500m, and a furthor \$50m would be converted into interest-bearing notes and \$25m into preference shares. Creditors would be represented on the board of TTB but Mr Tung would be chairman. in vis

<sub>o</sub> main

OOHL Equity would be up to 90 per cent held by the Trust Mr Tung would be chairman with bank representation on the

hoard.

New Container Group. It is into this company that Mr Fok will inject US\$100m, giving him a substantial minority with the majority held by OOHL. With China keen to develop its container shipping capacity, the profitable Tung container business would clearly give it an important step shead, though it will, on paper, be compained with China's own container company.

Tho Tung group has 29 container ships operating from seven terminals with a projected 1986 capacity of over 600,000 TEU (20 ft equivalent e00,000 TEU (20 It equivalent units). The container group has \$600m of senior (secured) debt. If Tung would be chairman. Tung Newbuildings. This is one of the most sensitive aspects of the restructuring and

the most likely to undo the whole deal. The Tung group has 24 ships on order from Japanese yards, of which 15 are ready for delivery. It proposes to take delivery, with considerable new financial assistance, of 12 of them—subject to agreement on precise terms, including cancellation fees, with Japanese yards.
The agreement is vulnorable terms, including on fees, with

because, in order to collect export insurance claims, the Japanese yards would be required to pursue legal remedies first—forcing the whole group into bankruptcy. Mr Fok would inject \$20m into the newbuilding company and hold 50 per cent of its equity as

agreed to arrange e loan of about \$250m to raise funds for the new ships. They are Bank of Tokyo, Hongkong Bank, Indust-rial Bank of Japan, Manufacturers Hanover Trust and Standard Chartered Bank. The loans would be secured on the vessels (seven tankers and five con-tainer ships) which the New-buildings Company would char-ter to TTB and the container

group.
At the May meeting, banks agreed to form a steering committee led by the same five banks minus Standard Chartered, which, is however, a

nember, Meanwhile, the Tung group is keen to demonstrate that it has already introduced cost-cutting measures and financial strin-gency, as well as strengthening its financial management with the appointment of Mr Norman the Mass Transit Railway, and Mr Richard Chase, formerly of GEC, as finance committee chairman and financial control-

Alexander Nicoll

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## Optimism takes a nosedive

C.H. Tung Group after Restructuring

Profile: Wah Kwong Shipping

IF THE FATE of the Tung group is uncertain, that of the smaller Wah Kwong Shipping is preca-rions. Attempts to forge a restructuring of the company's US\$820m debt have been under way since January, but difficul-ties raised by creditors, notably

Mr Frank Chao, the company's president and son of the founder and chairman, Mr T. Y. Chao, had for years insisted that

the propects for the shipping industry were bright. His optimism was matched by continued new ordering of ships. Even last autumn, Mr Chao was saying that "shipping is at the lowest it has ever been, and we intend to take advantage of this and to expand our shipping interests."

Like other Hong Kong shipowners, Wah Kwong's success was based on securing long-term charters before committing itself to new buildings. But this apparently safe and conservative strategy was cruelly exposed by the successive failure of four charterests. Irish Shipping and Scottish Ship

Kanagement in 1984, Japan's

Sanko in 1985, and, as the final together by Amex Asia as Wah Kwong's adviser, the Chao family would commit their wealth to saving their company selfactors the reduction of its fleet from 60 company's debt, owed to 46 company's debt, owed to 46 creditors, would be converted into equity. Standard Chartered Bank is the biggest creditor. For the moment, however, the structuring plan put to credit the saving their company's debt, owed to 46 creditors, would be converted and 5, according to the terms of the moment, however, the structuring plan put to credit the saving their company's debt, owed to 46 creditors, would be converted and 5, according to the terms of the moment, however, the group is surviving—like the Trung group—only thanks to a temporary interest payment plan under which creditors which compared with a profit of the fleet produced a loss after extraordinary interest payment would commit their wealth to saving their company's debt, owed to 46 company's debt, owed to 46 company's debt, owed to 46 the restruction of the terms of the saving their company's debt, owed to 46 the restruction of the terms of the many of the saving their company's debt, owed to 46 the restruction of the terms of the many of the many of the fleet from 60 the



Frank Chao, president of Wah Kweng Shipping: faced with a drustic reduction of

#### Cruise Industry.

## Strong interest in visits to mainland

TO SAIL into Hong Kong's great harbour—whose only probable rivals in terms of magnificence are San Francisco, Sydiney, Rio de Jameiro and Cape Town—is to experience one of the great natural sights of the world. And an estimated 27,000 cruise-liner passengers did exactly that last year, with more expected to do the seme this year and next.

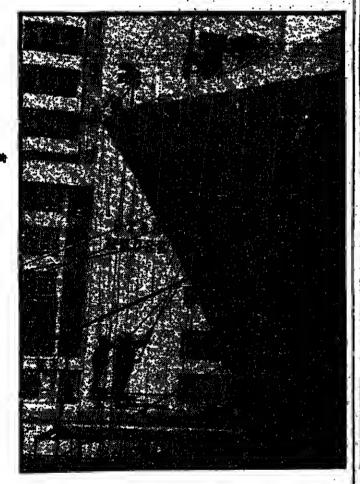
Britain's P&O, whose presence in Hong Kong extends back to IBM, is especially heen to expand its cruise-liner trates to the territory and is launching a world-wide publicity campaign over the next few weeks in Support of three of its ships: the Southampton-based Camberra. The Company's Chinacher Shong's two leading travel ground services for other world cruise-liner passengers calling at Hong Kong, trade is not expected to be specially in special-interest course from Cunard's Queen Elizabeth 2.

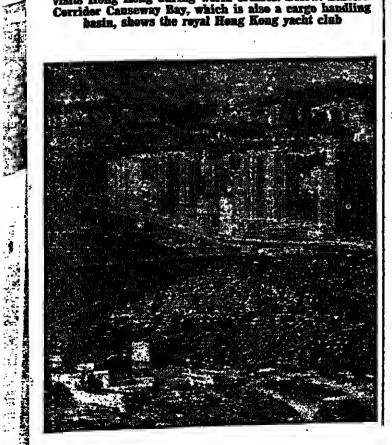
The company's Chinactour sector is by far its fastest growing up more than 20 per cent per annum over 1904-94, and Mr Howard Young, Swire Travel's managing director, emphasises the Chinae potential for further growth, especially in special-interest tours involving science, technology and art.

Mr Young said that the China repaired to the services for other world cruise-liner passengers calling at Hong Kong, trade is not expected to be specially in special-interest cours involving science, technology and art.

Mr Young said that the China repaired to the services of the sense of the company's other ships of the cruises.

One of Swire's major involvements is with Pearl Cruises of Scandinavia, whose Pearl of Scandinavia, whose Pearl of Scandinavia, whose Pearl of Scandinavia is the only fully Asian-based cruise-liner and specialises in 12-day to 15-day cruises throughout the year, said Mr Richard Willis, P&O Scandinavia is the only fully Asian-based cruise-liner and specialises in 12-day to 15-day cruises throughout the year, said Mr Richard Willis, P&O Scandinavia is the only fully Asian-based cruise-liner and specialises in 12-day to 15-day cruises throughout the year, said Mr Richard







MR DUDLEY GROVES, seen above, is captain of the Coral Princess, the Hong Keng-base

450 young managers. Ofter nised by the private Japan

Business and pleasure afloat

tions to promote internation. friendship and co-operation.

involving 28,000 industrial and business managers.

"What might appear to be mix-ing business with pleasure," said Captain Groves, "Is in reality absect 100 per cent work. Pami-lies are left at home, and on-

shore visits to places like Hong Kong, China and Singapore are primarily taken up with visits to industries."

Fifty hours of sailing time are deveted to lectures and group discussion, and two hours after dinner each day are set aside for "mosts, nonrecition of music Larry Klinger



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> -Arrive in better shape **CATHAY PACIFI**



Hong Kong's busy international airport at Kai Tak is aiready beginning to feel the strain. Right: Stephen Miller, general manager HK Dragon Airlines: battling with Cathay over routes.

Aviation

## Unseemly duel over air routes

ANYONE SEARCHING for a clear example of where Sino-British co-operation will be sorely tested in coming years need look no further than aviation, where two different but thoroughly political questions will rear their ugly heads.

One concerns a second Hong Kong airport. Limits on the existing centrally-located strip existing centrally-located strip at Kni Tak will be under strain well before 1997, but there are no easy sites for another. In both of the two possibilities engineering will be difficult and the costs exorbitant.

With lead-times long it may be necessary to consider a diffe-rent alternative—like sharing an airport across the frontier

The other issue is posed by the sudden emergence last year of Dragon Airlines, which with one leased Boeing 737 and an impressive Pekingese pedigree has taken on the might of Cathay Pacific, the territory's unofficial flag carrier controlled by two of est names—Swire's and

Of the two issues, the duel between Dragonair and Cathay is the one which has already eaught people's imagination. The fight has been bitter, public and, so far, broadly even. Neither has won much, while Dragonair has continued to lose money and Cathay has seen its public image dented.

The two are now at logger-heads over services and routes to Europe, the US and else-where. But the dispute which brought everything into the open was the two airlines' battle last year for a licence to fly to Peking.

Dragonair, presenting itself as a regional carrier geared to the domestic market, applied for permission to fly to Peking. Shanghai and eight other centres. Cathay, saying it had long sought Peking and had built np the merket since starting Shanghair. the market since starting Shan-ghai flights in 1960, opposed Dragonair's applications for the two main cities.

Hong Kong's licensing author-ity, basing its view on the gov-

has overcome warnings from Cathay to win licences to fly to four destinations in Thailand and has applied separately for four US cities not operated by Cathay, including Los Angeles

It is an unseemly battle and one which could damage Hong Kong's longer-term interests without a compromise which divide routes, perhaps in a way done by airlines like BA and BCal or Air France and UTA. The two airlines have already held talks but to little effect. The insults already traded have pushed the sen of understanbasing its view on the gov-ment policy of one carrier ding too wide.

Profile of

(Haeco) by David Dodwell

Hong Kong Aircraft Engineering Co.

doors were removed, and each aircraft was repainted in Brit-

Schroders

**Asia Limited** 

per route, decided in favour of Cathay and gave Dragonair the eight other centres. It was Dragonair's frustration at Cathay's refusal to concede on the two routes vital to Dragonair's success as a China operator which led it to consider long as well as short routes elsewhere and to take on Cathay directly.

Now the two are battling for routes to Amsterdam and Manchester, and Cathay is opposing Dragonair's application to fly to Loudon. Meanwhile Dragonair's main Hong Kong to the Cathay burgonair's main Hong Kong to the Cathay burgonair burgonair's main Hong Kong to the Cathay burgonair burgonair's main Hong Kong to the Cathay burgonair bu

Dragonair's main Hong Kong shareholders as of last November are Sir Yue-kong Pao, the Hong Kong shipping magnate, who holds 35.2 per cent, and Mr Ronald Chao, who holds 24.7 per cent. Mr Chao is the son of Mr K. P. Chao, who had launched the business earlier in 1985.

The principal mainland The principal mainland interest is the 25 per cent shareholding of the Hongkong Macau International Investment Company, which is in turn 25 per cent owned by the Bank of China, a key economic agency of the Paking government.

The investment company, capitalised at HK\$500m, was

Dragonair's mistake in the

classified as military airfields. cent As matters stand, meanwhile, Dragonair is managing to keep its 737 in the air up to seven hours a day on regular charter flights—three a week to Nepal, five to Guangzhou, two to Xia-Matters are complicated, however, by CAAC, China's national airline. This is itself a powerful bureaucracy, being China's aid regulatory agency and part of the air force. CAAC is reckoned to have had its own interest in thwarting Dragonair's progress; it already has 57 flights to Hong Kong each week, against only six by British carriers into China.

Dragonair's mistake in the

men and the odd service to East Malaysia. More charter flights are due to start soon. Dragonair admits that it has been losing money and analysts estimate that the loss so far is of the order of HKR30m. With paid-up capital at HKR300m it can afford to wait. But it has the overheads for three aircraft and commercially-minded shareholders, so it must be hoping that with the entra flights to Thailand the corner can be turned.

The product would have been

for a belated start-up on its institutional Hong Kong share-china routes.

Even then China must itself cent of the company, with Swire agree to accept Dragonair at the Pacific owning 54% per cent and eight centres, some of which are the Hongkong Bank 23% per

Cathay was furious at Dragonair's early claim to be a truly Hong Kong airline and acted quickly to counter this through the share offer. Certainly it did not need the cash. The irony is that Dragonair now needs to claim it is British, while Cathay will probably have to go still further before 1997 if it is to

close enough to the new Chinese city of Shenzhen to make other possibilities across the border worth considering. That in turn would beg numer-ous questions about relations

ernment of Hong Kong, the pro-vincial government in Guang-dong across the border and the Peking authorities. But the fact is that Shenzhen has already completed a feasibility study for an international airport, albeit 30km from the city, and Hong Kong is evidently as far away from getting a second airport as

That said, no one in Hong Kong thinks that finance would be an insuperable problem, since Kai Tak would not be expected to continue in opera-tion. Redevelopment of the airport and its environment would increase its value substantially, providing a powerful motive for action. Plainly, the second airport could be one of the hottest local issues of the 1990s.

Chris Sherwell

## Rich rewards in power by the hour deals



THANK YOU

largest independent aircraft maintenance group. The claim, is contentions, because it is in fact closely linked with Cathay Pacific, Hong Kong's de facto flag carrier. But there is no disputing of Haeco's operation.

WHEN British Airways decided HEXII55on on business assoun-to gut and refurbish its fleet of ting to HEXII5. risen by more than 40 per cent in the past two years, with pro-fits almost doubled. not to a UK company, but to Hong Kong Aircraft Engineer-ing Company (Haeco), an air-craft maintenance company 7,000 miles across the globe. Its 28 aircraft were stripped and refurbished inside, two exit

Alongside British Airways, it has won a HR\$70m contract from United Airways of the US to provide maintenance and overhaul support for the six Lockheed TriStars taken over from Pan Am as part of the deal in which it has taken over all of Pan Am's Pacific routes. ish Airways' new livery. The job from Pan Am as part of the was done in 13 days, and earned in which it has taken over the Hong Kong group Pan Am's Pacific routes. A further HK\$247m contract

HR345m. Haeco claims to be the world's has been won to modernise mainland China's fleet of shorthaul Y7 and Y12 sireraft. This deal is expected eventually to involve 190 sircraft.

Hacco was set up in 1950 to provide engineering and maintenance support for aircraft in the isolated but fast developing Far East. It fell under the wing of Britain's Swire group in 1975, and has since then shared with Cathay Pacific the benefits that have come from exponential growth in the region's airline business. in the region's airline busine As a matter of rontine, it handles all the traffic movements through Hong Kong's husy Kai Tak airport, meeting

Cathay Pacific's purchase of a cabin pressorising systems Kong Chinese staff that China is fleet of TriStars. It has led to essential for all aircraft—is also so important to the future of



Graham Howat, chief executive of Hacco: last year the group carned HK\$115.5 on turnover amounting to HE\$847st.

In Hong Kong in 1985 Schroders Asia assisted all these major companies in their capital raising programmes

To succeed in the complex arens of class and equity capital relains, a bank must have excellent staff, superior knowledge of established financing ructures, the especity and skill to novels now atrustures and ~ s most of all - the trust of all

Last year Hong Kong's debt cepital meriet sector boomed. The amount raised went from HK\$4,500 million in 1964 to a total of HK\$20,000 million

Schroders Asia was in the forefront of these activities, hearing boen involved in more than 50% of the lottle amount of facilities arranged. Schroders Asia continued to be a leader in the field of equity capital taleing being throhed during the year in the issue of shares both by well of new and rights issues.

But capital valeing is not the only field in which Schroders Asia escale. The Congany also offers professional service in talknown and mergers, acquisitions and disposale, stock

Agant from their own in-house : they have behind them the full resources of the Schroders Gro

which now has branches in fourtee countries, including all the mejor financial centres of the world.

emergency maintenance needs and providing routine servicing incloding Cathay Pacific—have venture, called SCAT—South Most important, however, are begun to replace them with China Aero Technology—is base maintenance "contracts more modern aircraft, selling likely to be the vehicle for most for a wide range of international carriers.

To talk of prognects in China

for a wide range of international carriers.

"We moved into heavy maintenance almost by osmosix," says Mr Graham Howat, the group's chief executive. A major breakthrough cama in 1974 when Gulf Air asked Haeco to maintenance contract. For Haeco is major international arriers have more work rather arrives have more work rather than less up to the end of the century, since many of these smaller airlines lsck the inhouse maintenance capabilities mailer airlines lsck the inhouse maintenance capabilities supplied by Haeco—is likely to meet every servicing need for Gulf Air's 11 TriStars, being paid a rate based on the number of hours each zircraft is in the air.

Since then, a number of similar contracts have provided Haeco with a stable baseload of work in what Graham Howat admits is one of the most maintenance of aircraft using "TriStars like—has given Haeco on fleets, while the aviation considerable expertise in bought itself a product support maintenance of aircraft using inginturare," says Graham Howat: "It will nevertheless be world. Major long-term clients include Rangladesh Riman, Air-maintenance and servicing sales, and to some extent air-maintenance and servicing some arteraft and servicing sales, and to some extent air-maintenance and servicing of the susiness sought Placeo in Italian for the

admits is one of the most maintenance of sircraft using nightnare," says Graham peaky" businesses in the world Major long-term clients include Bangladesh Biman, Air Lanka, Air Niugini, Air Nauru and Royal Brunei Airlines, Cecasional contracts come from carriers as diverse as Singapore Airlines, Transcorp, British Airways and even People Express.

A second catalyst for the group's development was Cathay Pacific's purchase of a cabin pressarising systems feet of TriStara. It has led to essential for all aircraft—is also important to the future of

in TriStar maintenance.

The most recent quantum to China's airline industry, that leap in Hacco's development is future Chinese Aylation Minister in TriStars, so major international airlines—

Tristar maintenance.

The most recent quantum to China's airline industry, that leap in Hacco's development is future Chinese Aylation Ministry in John TriStars, so major international airlines—

National Aero Technology midst it may sound far fetched, Import Export Corporation. The but many a true word

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#### Electronics

## The year the dominoes fell

puter company. recently announced plans to close its Hong Kong factory with a loss of 1985 as "the worst year the 250 jobs after 13 years' operation in the territory."

Communication blame beavy

tion in the territory.

This is the latest in a series of blows over the past 18 months that have shaken confidence in e sector once thought to be among the brightest and most promising in the economy.

The sector of the past 18 months accounts for 45 per cent of sale, ago from the passing craze for novelty telephones and the collapse in the first half of last year of demand from mainland China.

Substantial as it is the industry. promising in the economy.

It involves the loss of one of a tiny group of Hong Kong-based electronics manufacturers which are capable of highwhich are capable of high-technology production as opposed to consumer or "fad" and telephone sets a further 7 electronics—radios, toys and cheap watches—which account of for 60 per cent of the local elec-tronics output.

tronics output.

Data General's withdrawal does not reflect unfavourably on Hong Kong. It is linked with wider problems for DG and for electronics manufacturers worldwide over the past 18 months. Mr Bill Wyllie, the Australian who heads BSR International, recalls 1985 as "the year tha dominoes fell."

of moving into toys and an even larger proportion of octput is exposed to the whims and vagaries of consumer tastes.

In part this is inevitable. Mr Richard Day, e local commentator and publisher on the electronics industry, notes that mass production lines "do not go very that are normal in Hong Kong."

"Dependence on fad electron" worldwide over the past 18 months. Mr Bill Wyllie, the Australian who heads BSR International, recalls 1985 as "the year tha dominoes fell."

In Hong Kong the statistics speak for themselves. From 1,342 electronics factories at the end of 1984 only 1,129 exist today. The workforce employed in these factories has shrunk by nearly 25 per cent, from 99,200 at the end of 1984 to 77,600 nt the

industry, electronies nonetheless remains Hong Kong's second largest export industry. Last year domestic exports amounted to HK\$27bn, just under 21 per cent of total exports

exports.

Even tha strongest local of ontpui—10 per cent more manufacturers suffered badly. Nam Tai, the world's third-largest producer of calculators, saw its sales fall from HK\$500m in 1934 to HK\$250m last year. Its boards, customised integrated lesson has been to begin divers. in 1934 to HE\$250m last year. Its boards, customised integrated lesson has been to begin diversification into new products—surface-mounting techniques as electronic scales, thermometers signs of greater maturity. and even typewriters.

facturer, is now convalescing in favour of computer power supmaintand Chinese hands after plies, tuners and demodulators, losses that reeched more than radio frequency products and a HK\$250m two years ago. Before a corporate reconstruction it sees clearly the niche it has the almost went under with dabts capacity to fill.

tory's sounder manufacturers, ourselves researching into new saw its turnover slump from technology. Instead, we take the £403m in 1964 to £262m last year. latest technology and develop it.

Substantial as it is, the indus-try remains dominated by con-sumer and "fad" electronics. Watches and clocks accounted

"Dependence on fad electro-nics is both n weakness and strength," says Mrs Alice Lai, assistant director for industrial support in Hong Kong's Industry Department, "It suits well tha highly flexible local workforce, requires comparatively small capital investment, and prom-ises substantial profits for those end of last year.

After the textile and garment who are fast enough on their

Even so the Industry Department is pleased to see the domi-nance of the volatile consumer electronics sector being diluted. At the end of 1983 it

rd even typewriters.

Conic, once Hong Kong'e few oompanies that have shungest electronics manu-ned consumer electronics in

almost went under with dabts capacity to fill.

topping-HK\$1bn.

Elec and Ettek, which went public in a blaze of publicity ten, head of group communicative years ago, has seen profits tions. "Unless you are adding to HK\$123m.

Even BSR, one of the territies with the same time, we don't see the same time. A pre-tax profit of £26.8m was Wa add engineering

of output accounted for by tele-phones and a further 30 per cent

waned, with many customers disappointed by the slapdash quality of those early products. Substantial in-house research

is now concentrating on more up-market models which appeal because of their reliability classic styling, and range of

Two years ago China was seen as e potential penaces for the local electronics industry. While manufacturers While manufacturers worldwide suffered as demand from the US went into e steep decline, Hong Kong was buoyed up by meteoric growth in demand for n wide range of consumer electronics. Nam Tai, for example, saw China account for nearly 35 per cent of its sales of celegisters in 1984 porting it calculators in 1984 putting it on a par with the US as e

In addition, investments in joint ventures on the mainland involved in simple sub-assembly work enabled Hong Kong companies to cut lebour costs at a time when it was becoming increasingly difficult to match wages paid to workers in Taiwan or South Korea.

Today, Hong Kong's link with China appears more of a blight than a bonance. Foreign exchange shortages have resulted in a slump in demand for electronic goods. Nam Tai has seen sales dwindle to little more than 10 per cent of output and this fall was an important factor in last year's slump in

More important, it has become clear that while manubecome clear that while manu-facturers in other countries were being forced to automate and apgrade technological capabilities in order to survive, counterparts in Hong Kong had leaned back on a cushion— now punctured—that leaves them two years behind their connections.

"There was e gold rush into China that pre-empted any need to invest in np-to-date-technology," said Mr Day. "Companies have estranged traditional buyers and now find themselves using machinery that can be four years out of date. In short, they have fallen

He urges closer attention to sales and marketing and more investment in training highcalibre engineers, but he argues thet as long as manufacturers

In free-enterprise Hong Kong the government finds itself in a quandary about how to help the ndustry. It is unwilling to proindustry. It is unwilling to provide specific investment inceptives or concessions, seeing its cown role as limited to providing an efficient infrastructure. It has provided HK\$50m for the has provided HK\$50m for the motionation of industry and is making plans for an integrated circult design centre.

Hang Mong Aber Conserved About 18 assume that companies in South Korea and Taiwan will benefit that business could provide that business could provide that business could provide with a stimulus that it urgently making plans for an integrated circult design centre.

Proposals for a venture capital fund have also been made because of complaints that local banks are unwilling to finance investment in manufacturing industry. The ebsence of specific incentives has led to com-plaints that oversess invest-ment in electronics has suf-Applied

Data General's withdrawal Electronics
may be a good case in point. The by David Dodwell government's response has been not to provide e range of incentives but to publicise more RAYMOND HING. foul widely Hong Kong's more general attractions—low tax, minimal government intervention, excellent communications and a highly adaptable workforce.

As a result, inward investment has risen over the past three years. Of 35 projects com-pleted since 1983—worth HK\$338m—18 were agreed last

Typical is a venture headed by Mr Allen Lee involving Ava Electronics in Hong Kong and Hercules of the US. Called Mica-Ava, the group has in the past month begun manufactur-ing copper-clad laminates for making basic printed circuit boards. An investment of US\$10m in a Hong Kong plant is balanced by similar investments making the same product in Guangdong and Wuri in mainland China.

If 1985 was a bad year this year shows signs of being much better. There have been signs

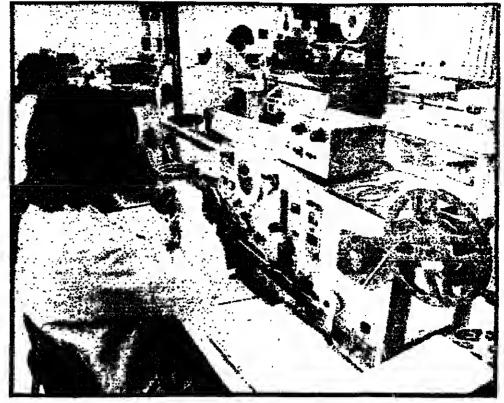
At Lambda Technology, Mr even further behind competi-Andrew Chnang has learned a tors overseas." recovering after the large-scala similar leason. With 60 per cent "They are in trouble, but it destocking that occurred last tors overseas."

"They are in trouble, but it destocking that occurred last doesn't mean they can't get out," year. Equally important, says Mr Vincent Ng, an adviser on the electronics industry to yen has greatly improved the Hong Kong's Vocational Train-ing Council. price competitiveness of Hong Kong manufacturers.

> Of greater potential importance are signs that Japanese manufacturers exchange-rate shift as a long-term one and ere considering recognise that they cannot produce "prime technology" their flexibility should ensure an important niche for the local

> > The critical question is whether these Japanese manufacturers will decide to invest in Hong Kong. Most observers assume that companies in South Kores and Taiwan will benefit

> > > David Dodwell



One of the many electronics plants in Hong Kong

## Follower of consumer trends

Profile of Electronics

RAYMOND HUNG, founder chairman of Applied Electro-nics, could once have boasted of heading one of the highest technology enterprises in Hong Kong. Today the cornerstone of his business is toys.

" We can't afford to depend on "we can't attord to depend on the computer assembly busi-ness," he says with a look that could pass for embarrassment; "It just doesn't provide enough work and there are still too many bankruptcies."

This experience indicates both the strengths and wearnesses of the Hong Kong electronics manufacturers. The ebsence of own-technology products, and concentration on OEM assembly for clients in the US, makes them extremely vulnerable as the market has turned sour for the US giants. At the same time the flexibility for which Hong Kong businessmen are well known has thrown Applied Electronics into electronic toy manufacture in mainland China.

when many companies in other countries would simply have in his three-floor factory in for n year then the Chinese withered and died.

Aberdeen, on the south side of plant becomes more productive, simply because the turnover of

withered and died.

It is a sign of renewed confidence that Mr Hung has, in the past three months, opted to float 25 per cent of the shares in Appled Electronics. Since a spate of public offerings from electronics companies in 1983—many of them highly opportunistic, and pitched just before the world market went into recession—such flotations have been few indeed.

Aberdeen, on the south side of Hong Kong island. Printed circuit board sub-assembly has been transferred to Pingwu and Huangliang in the nearby Gungdong province of China.

This month Huangliang will be side of Hong Kong island. Printed circuit board sub-assembly has been transferred to Pingwu and Gungdong province of China.

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This month Huangliang will also begin manufacturing the dolls that will be "talking" to thousand the printed circuit board sub-assembly has been transferred to Pingwu and Gungdong province of China.

In 1983, 80 per cent of his company's output was floppy discs and other computer com-ponents for hig customers like IBM, Wang and Olivetti.

Today, all that remains is OEM manufacturer for Commodore that eccounts for less than 20 per cent of ontput. Most of his 1,600 workers are making electronic toys—computer games, children's learning aids, and talking animals.

" Electronic toys are risky but the profit margins are better," says Mr Hung: "All we have does is follow the consumer

be et work in China by October.

"Low-cost manufacture in China has been important to us," Mr Hung says, "Without it we would be struggling to stay competitive with Koree or

"But if we were to rely on Chinese management we would be finished. They supply work-ers straight from high school and we provide everything else-raw materials, assembly lines, testing equipment, and up to 30 Hong Kong staff for each

It takes Mr Hung three months to train his mainland Chinese workers, compared with a month in Hong Kong. Their productivity is about 70 per cent of that of a Hong Kong, worker after three months, and about 90 per cent after six months.

Says.

Another advantage of productioe in China is that low labour costs mean he can keep workers on the payroll during the quiet months between husy seasons. Higher costs in Hong Kong would make this impossible at his Aberdeen factory.

"If you had asked me in 1933 which way we were headed I would have said we were moving up into higher technology and abandoning the consumer electronics end of the market," Mr Hung recalls. "With 80 per cent of our output in things like floppy discs and personal com-puters, and with heavyweight customers like IBM and Wang, we though we had every right to be confident."

year in the history of high technology Industry, both IBM and Wang had stopped their orders and were producing only in the US. "We are still mannfacturing for Commodore, but they are financially very weak..."

#### Stock Market

## Four into one can go



after years of struggle and dis-sension in its establishment. Sension in the establishment.
Until this year Hong Kong had
four stock exchanges: tha Hong
Kong, Far East, Kam Ngan and
Kowloon. Now it has one,
located at the foot of the spank-

ing new Exchange Square com-plex and still to be officially inaugurated with great cere-mony this eutumn. Bringing the four together was not nn easy task either for the authorities or for the parties themselves. At the end the major dispute was about the

major dispute was about the
HKS70m computer system
which is at the exchange's heart.
The debate is continuing, but at
least everyone is agreed that, as
far as it goes, the system works.
Hence the unwanted congratulations to Mr Li. The system, created by Jar-dine Logica, is different from other computer-oriented methods being introduced on other stock exchanges around the world. Though it is sophisticated, it does not follow the trend towards off-floor trading,

nor to eutomated execution.
Rather, it replicates previous
market methods, essentially
putting the former chalk-board of the 230 member firms of the old exchanges, 678 have n place on the eew floor. The rows of trading desks are ranged around a central floor, but unlike every other exchange the

floor is empty. There is provision for traders to break on to the floor and trade there only if the computer system is unable for some reason to handla incoming hid and offered prices. One such occasion was the first day of trading of Cathay Pacific shares in May, when record business was done, virtually all in that

company's shares. Eid and offered prices are inserted into the computer system by brokers at their terminels on tha floor. Other brokers see these prices, identified by the inserting firm's number, on the screen. They then telaphone the broker concerned if they want lo do business, with the call going from booth to booth on tha floor and being taperecorded in every case.
In order to do husiness, there-

fore, brokers must be physically oe the floor and transact over the phone with another broker Provided oee accepts these

#### A future for commodities

AFTER the scandals which befell the commodities exchange established in 1976, its reforma-tion as the Hong Kong Futures

Exchange was no mean feat.

Mr Kim Cham, its enthusiasic chairman, even had an uphill task in the late stages when, with all other hurdles successfully negotized, he sought commit-ments from new potential

members.
Since trading in Hang Song
Index fatures get under way in
early May, however, he has had
good reason to feel encouraged.
Volume has been getting up to
about 2,500 contracts a day, each
worth about HK\$30,000. Traders
on the flags flags and the parameter. on the floor, from 80 member firms, show keen: Mr Cham's.

The trading method is open outcry, with the assistance of a

floor manager. Interplay between the stock and futures markets is festered by a display of futures prices on the floor of the stock exchange, and by the constantly updated feed of the

constantly updated feed of the Hang Seng index appearing on the futures exchange screens. By Cham's top priority is to develop local liquidity in the stock index contract before attempting contracts with more international appeal. So far a healthy mix of interest appears evident, with the prominence of brokers such as San Hung Kal saggesting small investor orders and the presence of brokers such as James Capel indicating

as James Capel indicating itutional interest. In the longer run, potential contracts include currencies, interest rates and commodities. Hr Cham sees options, where the buyer pays the whole premium up-front, as potentially of great interest to Hong Kong Investors Among commodities, emphasis Among commonities, employers will be placed on those produced in China, which has already dis-played an interest in futures markets.

The exchange is considering expanding the delivery points for its soyabean contract and adding cotton and corn futures.

With the Hong Kong dellar pegged to the US dellar, there is peggod to the US dollar, there is no potential for local currency fatures, but Hong Kong's position as a foreign exchange trading centre could produce interest in Deutschemark and yes futures against the US dollar. There could also be scope for Hong Kong dollar and Eurodellar interest rate contracts.

two constraints, the system appears to work well and is impressive to watch, particularly in active stocks. There are 260 equities listed. Each trade must be reported into the system within 15 minutes, and then its size and price appear then its size and price appear on the price page of tha equity concerned. The computer compiles a 20 most-actives list every

30 minutes. Mr Li says automatic execution of orders was rejected because it would deprive brokpecause it would deprive brok-ers of flexibility, could create a queueing system which would deley execution of orders, and make the market vulnerable to hnman error—such as pressing the wrong button. His main concern, however, is

clearly to protect smaller, another point of dispute before locally-owned broking firms the exchange's foundation, which might be squeezed out if should be completely

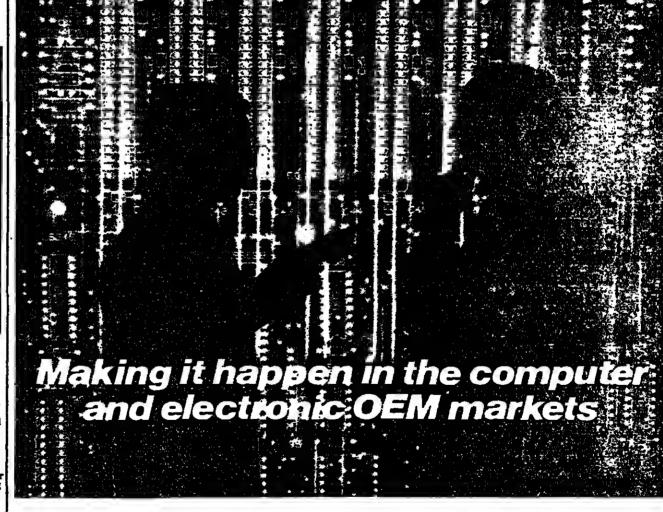
Of more immediate concern, bowever, is the need for a centralised clearing system, replacing the hand-carrying of scrip around Hong Kong, and the establishment of a depository system which would permit stock lending. Mr Li also says that the compensation fund,

which might be squeezed out if
the computer took care of
execution. Many larger, particularly foreign-owned, brokers
are in favour, and an expansion
of the system to provide for
nutomatic execution of small
orders in the bigger stocks is
now under consideration, Mr Li
says.

should be completely
revamped. Also possibly on the
agenda is the creation of a
second market "list of stocks
for np-and-coming companies.
For the moment, however, the
effect of the new exchange—to
which the whole market is still
in the process of getting accustomed—has been to increase volume, though this may be because all bargains are of necessity now being reported. It has also meant that floor brok-

> board and more need of e deli-cate touch on tha keyboard. Alexander Nicoli

ers have less need of muscle to shoulder their way to the price



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**Banking** 

## New regulations aim to end sloppy procedures

hanks, chellenging even the most nimble of bankers.

The series of failures of local banks over the past two years have, if anything, left the authorities more convinced, rather than less, of the health of

the banking system.
"Any system which has coped with what this one has coped with is healthy," says one official. "The potential for problems is still there, but I do not fear large-scele unknown problems of the type that we have had to face already."

But wish confidence can only But such confidence cen only

be expressed now after some traumetic collepses and rescues, including several dire-ctly involving the Government. which is now the reluctant owner of two banks. Others have been nursed into the arms of

the tronhled.

The imprudent and improper banking practices which the cri-sis has exposed are the target of the new Banking Bill which is now taking effect. It imposes more rigorous requirements for reporting capital, liquidity, lending, ownership and manage-

that the new aura of confidence which the Bill should inspire will allow bankers to settle down for an easy ride. In what is niready one of the world's most competitive centres, several other factors are et work:

• Loan demand is weak and shows little prospect of marked improvement at a time when tha

global trend towards securitisa-tion is elready eroding tradi-tional lending business and

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esperience has come our friendly service, attention to detail and delicious

Although there are hopes for a sharp rise in this business, a cantious prognosis is probably more realistic. China drives a very hard bargain on the len-

very hard bargain on the lending business which does come the way of Hong Kong banks.

The industry which is subject to all these influences is already widely seen as heavily overpopulated. There are over 140 banks in the territory and many more deposit-taking companies—though the latter sector is now contracting partly

ontmoded in some ways.

Even tha banks, however, have more than 1,500 hranches between, them and some, such as sister banks, are expanding

as sister banks, are expanding their networks.

Many banks in Hong Kong have been family-owned, and the recent failures have shown up sloppy procedures deriving in the world of one official, from "19th-century banking." Such banks will be under pressure as the new regulations take effect.

A particular target of the new rules is excessive exposure of one bank to one customer.

owning community.

Banks' traditional five-per-

centage-point margin between lending and borrowing rates, protected by a daposit rate cartel, is being chipped eway from all sides. There are calls for tha daposit rate agreement, intro-duced in 1964 to restrain excessive competitive zeal, to be abo-

 Demand from corporate customers for electronic bankcustomers for electronic bank-ing services is putting pressure on banks to spend heavily on technology in order to keep up. e Probably most significant of all, the Bank of China and its 12 sister banks in Hong Kong have lannched a fiercely competitive drive to increase their market share on all fronts. Conversely, lending to China still accounts for only a fairly small propor-tion of Hong Kong banking husi-

is now contracting partly because market developments and regulation have made DTCs

one bank to one customer. Loans to one customer will now be limited to 25 per cent of cepital and reserves, and they must be reported to the Banking Com-mission if thay exceed 10 per

Also aimed at better manage-

POWERFUL FORCES are private sector rescuers, and when major banks are suffering strong across Hong Kong's there are still a few on the list of from soured loans to the ship slon of all directors and company secretaries; approval for pany secretaries; approval for more than 50 per cent control to be exercised over an institution; and approval for landing to the institution's holding com-pany against the security of that company's shares. The Bill extends regulation to deposit-

extends regulation to deposittaking companies.

The Bill imposes a new capital requiremant of 5 per cent of
risk assets as defined by the
Commission, to be introduced
over a two-year period with
discretion to adjust the
required level. The system
parallels initiatives being taken
alsewhare in the world.

Among off-balance sheet
risks, for example, underwriting
commitments assumed in note
issuance and other such facilities are given n 0.5 risk weighting if they are on an institution's

ing if they are on an institution's books for more than three months. Liquidity ratios are also fixed in the Bill.

also fixed in the Bill.

Overseeing it all will be n
Banking Commissioner—currently Mr Robert Fell—with
enhanced and far more clearly defined powers as well as responsibilities, and with the ability to work more closely with banks' anditors.

Although the new capital

requirements will not put major banks in urgent need of new capital, enectmant of the Bill could well hring the forced or volontary closure of some banks and the continued diminntion of the number of deposit-taking companies.

Some may, in any event, see the writing on tha wall as a result of the growing role of the China-controlled banks. These now occupy second plece in terms of share deposits, with outsiders guessing that they now have about 25 per cent of the market through some 260 the market through some 260 hranches. This is still well behind the Hongkong and Shanghai Banking Corporation group, which has many mora branches, but the gap is probably parrowing.

ebly narrowing.

Mr K. W. Wu, general manager of the business division of tha Hong Kong-Macam Regional Office of the Bank of China, says the growth rate in deposits in 1985 was over 30 per cent and that since 1978 the increase has been 530 per cent. Though he will not estimate the overall ment control of banks are provisions requiring disclosure of market share of tha 13-bank pwnership of 10 per cent of a group, he says it has increased 5



William Purves who takes over at the Hong Kong Bank later this year faces important strategic decisions. Right inside the new headquarters of the Hong Kong and Shanghai Banking Corporation

per cent since 1978.
"Retail business has been our basic activity until now," Mr

our basic activity nntil now," Mr
Wu says. "We heve to increase
our branch network, but compared with the Hongkong Bank
we are still lagging behind...
We are also expanding
wholesale banking."
The group is known to offer
highly competitive rates on
property and other commercial
loans, though Mr Wu is keen to
stress that such loans are made
on commercial grounds and
with a view to profit "just as the
other banks do." other banks do."

other banks do."
Although the Hongkong Bank is not sitting idly by in contemplation of this challenge, its management, due to be taken over later this year by Mr William Purves, clearly faces important strategic decisions over the next few years.

It has already had to face the marked deterioration of its shipping loan portfolio, a disappointing economic performance

shipping loan portions, a cusappointing economic performance
by Hong Kong itself last year,
and narrowing margins on
domestic husiness. Although it
has bought the London stockbroker James Capel, a European banking arm remains elu-

sive. The group has, however, threatened by the agreement's been spending heavily on electronic banking and eppears well-placed in this field. The agreement's most public defender is Mr Peter Wran-

Rate Agreement under which the Association of Banks sets rates for all deposits below tool controlling the relationship HK\$500,000. The sharp rise in foreign currency deposits—ettributable to interest rate differentials and to the local currency's \$7.30 peg to the US dollar—has already made the agreement look less relevant.

Eveo for small depositors, banks offer sweep arrangements providing a higher return than is evailable oo local deposits. Now, proposals for unit rusts arising out of the fast-developing capital markets have posed a mora direct threat.

a mora direct threat.
The stock argumant for the agreement is that it protects both small banks and small

The squeeze on domestic margham, general manager of the gins is made all the tighter by Hongkong Bank and also chaircurrent pressure on the Interest man of the Association of Banks, Rate Agreement under which who says that it should be kept

Other bankers are surprised by this explanation, arguing that if a monetary tool were required a less crude one could be devised. But they do gen-erally expect the core of tha agreement to be retained, even while investment vehicles pro-viding higher than the agreed returns are allowed. returns are allowed.

Alexander Nicoll



trouble in the past year:

Overseas Trust Bank failed spectacularly in 1985 and, with its subsidiary Hongkong Industrial and Commercial Bank was taken over by the Government

way. Ka Wah Bank has been taken over by a Chinese investment arm, China International Trust and Investment Company arm, Cmma international Trist, and Investment Company (CITIC), though its doubtful dehts are to be guaranteed by the Hong Kong government.

Union Bank is now temporarily under the management of lording Floring appaired by

Jardine Fleming, appointed by the Government

the Government.
Wing On Bank has been taken over by Hang Seng Bank after encountering donbtful debt mid liquidity problams.
For East Bank has been taken over by IBI Asia. It is thought to have silpped into loss last year but specific problems bave not been disclosed.

Capital Markets

## Securitisation of debt reveals innovative skills



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a major financial centre depends to a large extent on the securitisation of debt has not depends to a large extent on the passed Hong Kong by, international bankers, facing which there is certainly not enough to go round for everywhich the territory has been a centre, have been applying their innovative skills to new instruments. growth of the Hong Kong dollar cepital markets."

instruments.
Since the beginning of 1985 growth in the local debt markets has been meteoric. From virginial been meteoric. Since the beginning of 1985 growth in the local debt markets has been meteoric. From virtually nothing in 1984, there were HK\$7.2bn of certificate of deposit issues last year, and this year the pace has been even faster.

As in other centres, the banks' desire to get assets off the balance sheet, making money through fee-based ectivity and trading, has coincided with tha desire of borrowers to issue Kong dollars, as well as bonds

through fee-based ectivity and trading, has coincided with tha desire of borrowers to issue securities as interest rates fall. At the same time there has been have been swapped into the the sweeping growth of sweps, local currncy. Last year, for which allow payment and income streams to be adjusted precisely to meet the customer's traditional streams.

precisely to meet the customer's requirements.

Chief among the borrowers in Hong Kong have been banks, leading local companies and Chinese instrumentalities. Since there is a shortage of local top-quality corporate names, the fervent hope is that China host government. The Hong will step np its use of the Hong kong market even furthar. So far, however, it drives n hard bargain in setting terms for the horrowings it makes.

Mr Patrick Thomas, managing director at Manufacturers Hanover Asla, said in e recent speech: "Hong Kong's future as currency to the US dollar.

mined if there were too many foreign borrowers of Hong Kong dollars who had no actual need for the currency.

The range of borrowers has, therefor already been well tapped, an already been well tapped, and tha market will depend on continued use fly them. While there is probably no lack of hanks willing to issue paper at fixed rates which can be swapped into very cheep floating rate funds, there is a dearth of local top-name corporates with a natural demand for fixed rate money.

The key challenge for the mer-chant banks incived is now to develop e full range of end-investors and a sufficiently deep secondary market. This is the direction of most current efforts. Mr Oliver Greeves, man-aging director Chase Manhattan Asia, observes that "securitisa-tion and disintermediation don't necessarily take place at

he same speed."

A glance at the balance sheets of many local merchant banks suggests that many of them, rather than selling on Hong Kong dollar capital market paper to and-users, are in fact holding large inventories of

That they should do so is natu-That they should do so is natural when many banks are short of assets amid very high liquidity in the Hong Kong banking system, with loan demand so low. But the phenomenon poses risks for the banks when interpret acts of the product of the produc interest rates start to rise, and it means that in the long run the market could die in the absence

At the initiative of Banque Nationale da Paris a local capi-tal markets association has been established. This is intended to take care of the nuts-and-bolts measures that are needed to make any market go, such as standardisation of terms and clearing. At the same tima the arrival of brokers putting prices on screens is seen as aiding liquidity.

Equally fundamental are the Equally fundamental are the nttempts of at least some banks to bring more institutional investors, such as pension funds, into the market. Mannfacturers Henover estimates that pension funds and insurance companies hold about 15 per cent of capital market paper, with wealthy private individuals, another target, holding 10 per cent.

Hong Kong corporate inves-tors also hold 10 per cent, accor-ding to these estimates, and the plan is to boost all these figures and reduce the estimated 45 per cent of paper estimated still to be hald by underwriting banks.

The foreign dealing room at the Hong Kong and Shanghai Bank encouraged to enter the market minimum denomination

there were a rating system which removed the need for individual credit assessment But there are doubts about wbether the local market would be large enough for a rating agency to consider it profitable.

Another method of increasing end-placement is the establishment of unit trusts designed to ment of unit trusts designed to perhaps because it was orinvest exclusively in capital perhaps because it was orinarket paper. Although proposals for such trusts have run into opposition from hanks which its lead managers. opposition from banks which fear their deposit rate cartel

investment allowed. Banks are also using more

sophisticated methods to create an orderly secondary market, such as complex asset-packaging techniques. Merchant banks buy no paper of a certain matur-ity on which the yield has got out of line with the market

The package is then sold to e be hald by underwriting banks.

As in other markets, there is a feeling that investors, particularly corporates, would be will be undermined, they seem Ispanese bank, which finds the set to take off. The extent to holding with a new, cheaper which they will appeal to small issue. This process takes paper investors depends partly on the off the "street," puts it in firm

hands, and clears the way for new securities to be Issued. In the longer run, however the survival of this new marke will depend equally on the willingness of China to use it as an important source of funds. China is a cautious borrower and is currently venturing into many markets around the world Mr K W. Wu, n senior Bank of China official in Hong Kong, welcomes the development of the local markets and says they should perform a fund-raising role for China, provided an adequate secondary market can

Alexander Nicoll



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Film Industry

## Hollywood with a Far Eastern flavour

IF, AS Kipling said, "Allah-created the English mad the maddest of all mankind," then Confucius must have had simi-lar intentions for the population of Hong Kong... at least at far as films are concerned.

films are concerned.

If you are looking for a city which could be described as movie-mad, look no further than Hong Kong, the Hollywood of the Far East. This is where william Holden discovered the World of Suxie Wong, Jennifer Jones found that love is "a many-splendored thing," Clark Gable played a soldier of fortune roaming the China Seas, Roger Moore came tooking for the Man with the Golden Gun and Peter Sellers tried to escape from the Revenge of the Pink Panther, and Orson Welles felt so at home he stayed on the Ferry to Hong Kong.

Last year some Sam cinema tickets were sold, which means that on average, with a popula-

that on average, with a popula-tion of about 5.5m, everyone went to the cinema about once a month. More realistically, sur-veys by the Television and En-tertainment Licensing Author-ity show that cinema audiences consist mainteen audiences consist mainly of young people between 17 and 29 (roughly 25 per cent of the population), so that regular cinema soers went

Even in a moderate week, box-office receipts will easily out-strip any other big city. Furth-ermore, the film at the top of the box-office chart is most likely to

100 mm

independents.

Although film-making began in Hong Kong as early as 1913, full-scale feature film-making did not develop until the 1930s, when there were some 50 or so small companies cranking out Cantonese-language features for local and overses markets and a handful of companies pro-ducing Mandarin-language films destined for mainland

war and political upheavals in China have invariably driven film-makers out of their northern habitat, especially the film-making city of Shanshai, and they brought with them their northern culture and Mandarin speech.

speech.

Since film-makers flooded
the market with low quality
films to grab quick profits, it is
still difficult to understand why
the Cantonese film industry
ground to a total halt in the
early 1970s. Watching a Mandarin-language film must be, for
a Cantonese speaking audience,
like an English audience watching a film in Anglo-Sazon, Gralike an English audience watching a film in Anglo Saxon. Gradually, however, Cantonese cinema has revived and today all films are made in Cantonese, that is, apart from a few exceptions, all films are shot allent and post-dubbed in the studio—in Cantonese for Hong Kong audiences and in Mandarin for relevant markets like Taiwan.



den Way and Michael Hui Productions.

The other major force in local production is Cinema City, farmed in 1860 by the film-making trio of Kark Maka, Dean Shek and Raymond Wmg. Their combined talent has been relegated to churning out the zany protestarian comedies which have established them as the trendsetters of the 1860s. Ever conscious of the need to keep ahead of the pack, Cinema City will shoot its latest project, the Legend of Wisely, on location in Egypt.

His previous film, Banana Cop (a comedy shot on location in K London), is one of the few films to have beep selected as an infline, Cathay Pacific, and was a firline, Cathay Pacific, and was a hit at last year's Toronto Film Fastival.

border.
Although Hong Kong is said to have the world's highest television watching figures, with 93

noticeably improving, most peo-ple still live in cramped flats and are therefore eager to go out for leisure activities like cinema-going and restaurant

As a further incoutive cipe-mas are air-conditioned, whereas most homes are not—an im portant factor in a sub-tropical climate where there is little temperature difference betweeo hot summer days and nights.

In spite of the popularity of cinema-going, the relatively small populatino imposes a natural saturation limit on the natural saturation limit on the revenue that can be generated. Most companies therefore plan to cover production costs from revenue generated in Hong Kong and look for profits from overseas salo, mainly Taiwan, Singapore, Thailand, Japan and the Chinatowns of North American and European cities.

Artistic success has so far been limited to a small and highly select group of directors—Alleo Fong (Father and Son and Ah Ying), Ann Bui (The Story of Woo Viet and Boat People), Yim Bo (Homecoming) and Tsui Hark (The Butterfly Murders). All of them received their initial training in film-making initial training in film-making

At home these directors are not noted for guaranteeing suc-cess at the box office and hence encounter difficulty in raising finance for their films. This is

Locally, the Hong Kong film industry is known as e Pra-muen(literally "side-door") of film industry industry—a phrase used for any strend may be business which is a gamble. Now the gamble is on film-making in English, supposedly on being chanaring in English, supposedly as an attempt to break into the international market but also as Particularly a useful way to gain experience for a move abroad should the

> Recent efforts in this area include Nn Retreat, Nn Surren-der, shot on location in Thai-land by Seasonal Films, and Tongs, a Chinatown story shot on location in New York by Pan Pacific. Neither of them is likely to be cominated for an Oscar, but it is a start. If they work, the Hong Kong film industry could well find itself changing direc-tioo yet again in the near future.

> > Terry Boyce

of the market—offices, domestic flats, and factories—are, in fact, moving in response to different forces.

According to the 1936 Property Review, produced by the Government's Rating and Valuation Department, the office sector showed strong growth throughout 1985.

Vacancy rates dropped to 11.1 per cent, the lowest since 1982.

Developers say that inffice rentals in Central, the core business district of Hong Kong, grew by 20 per cent last year. Average ness district of Hong Kong, grew by 20 per cent last year. Average asking rentals have recently reached HK\$20 per sq ft a month Exchange Square, Hong Kong Land's flagship development, now demands HK\$27 per sq ft. This approaches the peak price of HK\$30 in 1981. The building is now 80 per cent let, according to Mr Andrew Denman, managing director of Hong Kong Land Properties. Tsimshatsui, the favourite office locatino for exporters taking gdvantage of proximity to sdvantage of proximity to suyers' hotels, factories, the airhayers' hotels, factories, the air-fort and the container port, had dramatic office rental growth 70 per cent last year—the highest in Hong Kong Now the asking rental for prime office space in Harbour City, for exam-ple, is around HK\$16 per sq ft.

Rentals in Wanchai and Causeway Bay, both rather out of the way for businesses needof the way for businesses need-ing close links with Central, increased by 30 per cent over the year. Landlords now ask for around HK\$14 per sq ft.

rd.

Harbour City is now 98 per cent

VICTORIA BARRACKS Site
Two, the last big site in Hong
Kong's Central business district, was sold in May for
HK\$1.005bn, the highest price
ever paid at eoction for a
development in the British
territory. Share prices
nevertheless tumbled the
folluwing day.

The problem, it seems, was
not that the enction price had
failed to match market expectations, but that investors had
been hoping for a signal that
would give strong, fresh-impetus
to the stock and property markets. The nentral signal meant
disappointment, and they opted
to take profits.

The acction seems to have
been o precise barometer of the
state of Hong Kong's property
market, which has recevered
from the trauma of collapse
starting in 1982. For the market
overall, cautious optimism can
be taken, at least on a shortterm view. But different sectors
of the market—office, domestic
flats, and factories—are, in fact,
moving in response to different
forces.

According to the 1936 Property Review, produced by the
Government's Rating and
Valuation Department, the
office sector slowed strong
growth throughout 1985.

Developers say that infice
were buildings were constructed during the property
slumpt. The only supply completed last year was Exchange
Square and the Hongkong and
Shanghaf Bank's headquarters,
which were both committed in
1981 at the peak of the boom.

At the same time, demand has
risen strongly as foreign
businesses have set up new
firms in Hong Kong over the
year. Other companies already
to a foreign
davantage of lower rentals to
move into Central, or to consolidate under one roof offices that
have, until now, been seattered
over the town.

The outlook for office rental is
expected to be buoyant for two
years, because supply will
decrease to 775,000 aq ft this
year and 187m sq ft in 1987, This
compares with 3.315m sq ft coming on stream last year.
Analysis predict that rentals
will soften in 1988 and 1989,
when large amounts of office
space from the Bank of China
will 1989.
When large announts of office
space from the Bank of China

racks come on stream. Most of these are in fringe Central.

The residential market is an important sector of the property market in a crowded city with a population of 5.5m. About 45,000 newly-married couples entered the market last year in search of homes. Adding to an already strong trend towards nuclear families, this ensured that the demand for domestic flats continued to outstrip supply.

As a result, this sector of the market performed well. Almost 30,000 new flats went on to the market, either for sale or rent, and 29,500 of them were taken

market, either for sale or rent, and 29,500 of them were taken up. The vacancy rate dropped to 3.7 per cent. All three are new records since 1982. The year-onyear increases in prices and rentals were 13 per cent and 6

cent." said Mr Alan Hill, of agents Jones Lang Wootton.

The demand for luxury spartinents at the top end of the residential market has residential market has funntial companies, with an extrengthened. Vscancies for last suger than 1,500 ag fir dropped from 6.2 per cent in 1964 to 4.9 per cent in 1965. Rents rose by 27 per cent. Now, to rent end the third of the state of Hong hong a relically important manufacturing sector—remains the most stagnant sector of the market has block close to Central oo Hong 4,187,000 ag fi-the lowest since the most stagnant sector of the market has block close to Central oo Hong 4,187,000 ag fi-the lowest since the light increase in the first quarter for many local firms, which are most stagnant sector of the market has been limited, and prices have begin to level off in 1965, after a 39 per cent increase first throughout last year, after a standing vacant for a year, was 1964.

Prices remained constant throughout last year, after a standing vacant for a year, was alight increase in the first quarter for life Tuen Binn, which are standing vacant for a year, was simply. The most glutted areas are those in the New Territories, life Tuen Binn, which are at the outlook for prices in the New Territories, life Tuen Binn, which are at the outlook for prices in this more than triple liftal in 1965, so the outlook for prices in this more than triple liftal in 1965, so the outlook for prices in this more than triple liftal in 1965, so the control of the c

Kong is a factor that comes into which are at the upper end of play. Some industrialists are the local Chinese's residential opting to cram their production market, appealing to middle-into existing floor space.

A cautious view should be 3.3 per cent in 1984 to 4.4 per taken of the performance of the cent in 1985. Take-up last year property market if it is taken as was around 1,000 units, coma barometer of political confipared with 2,500 units in 1984. The property collapse in 1982 in the past, it is true that rental was an unpleasant experience values are senerally improving that everyone would like to rentals were 13 per cent and 6 per ceot respectively, according to the 1966 Property Review.

However, because supply remained abundant throughout the year, both prices and rentals started to level off from the third quarter onwards. With a record supply of 37,100 and 33,100 units expected to go on to the market in 1966 and 1967, analysts are talking of a buyers' market.

"It would be surprising if prices rise by more than 5 per

## **Closer to** Cautious optimism prevails | Far Eastern markets.



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Indian Community

## Why the merchant class feel aggrieved

FT WAS perhaps inevitable that Britain's agreement with China to be dominated by Sindhis, on the future of Hong Kong would not please everybody. What is now Pakistan. Using would not please everybody. But the territory's Indian com-munity is more than merely disappointed with the UK. It feels utterly let down. The issue is eltizenship. Of

Hong Kong'a estimated 11,500-strong ethnic minorities who have British Dependent Territory Citizenship," 6,600 are ethnic Indiens and the rest are of Portuguese or Eurasian ori-gin. The ethnic Indians see themselves as British and want the right to live to Britain after

Last month their well-organised, vocal and effective campaign for this right, which received support from Hong Kong's Legislative Council and from Peking, was finally defeated in the UK Parliament. The Indians are now facing a more acute problem than the Hong

Kong Chinese, and must decide whether to stay or leave.
Their decision is important to Hong Kong because the 20,000strong Indian community, which also includes citizens of India and Pakistan, is widely believed to control about 10 per cent of the country's exports by value. In a place with a 5.4m popula-tion, 98 per cent of it Chinese, that is out of all proportion to the Indian community's size. Widely regarded as hard-working, diligent and prosper-ous, the Indians are not recent

ous, the Indians are not recent arrivals. When the British took over Hong Kong in 1841 they did so with 2,700 Indian troops. Indian merchants, some of whom had already followed the opium trada to China, quickly came to capitalise on the settle-

ment of Hong Kong.
Thus two of the earliest trading companies were Indian, the first bank to be established was a branch of the Oriental Bank of Calcutta, and it was two Indians who founded a stock exchange. When the Hongkong and Shan-ghai Bank was established three of its 13 founders were Indians; and it was an Indian who started the Star Ferry service between Hong Kong Island and Kowloon.

Initially most of the Indian traders were Parsees. Then came Gujeratis and Marwaris. In this century, however, the

wnat is now Paristan. Using family, clan and kinship connections, they dominate trade between China and tha Middle East and Africe which goes through Hong Kong.

Beyond all this, Britain recruited Indians for its administrative needs in Hong Form

recritted indians for its administrative needs in Hoog Kong-in defence, in the police force, in the postal services and to education. Many of its own British officials were also drawn from the British civil service in India, Burma and the Straits

ettlements. With the relentless approach With the relentless approach of 1997, however, has come a reckoning—or rather three years of agonising for London and for Hong Kong's Indians. Under the Sino-British agreement returning Hong Kong's sovereignty to China the status of British Dependent Territory Citizens for people from Hung of British Dependent Territory Citizens for people from Hnng Kong will end. But whereas the ethnic Chinese will become Chinese nationals, the ethnic minorities are to become "Brit-ish Nationals (Overseas)." Unlike the inhabitants of a

country becoming independent, these ethnic minorities have been given no chance of becoming citizens of the new country. They will have what are called BNO passports but no automatic right to live in Hong Kong, and none elsewhere unless they leave to order to seek it.

As a form of compromise to deal with this apparent de facto statelessness, Britain and China reached an understanding in April whereby China says it will, when necessary, state to third countries that holders of the countries that holders of BNO passports will be able to return to the Special Anton-omons Region of Hong Kong. Under this arrangement the Under this arrangement the BNO passport will contain a UK endorsement, agreed with Peking, to the effect that the holder has a Hong Kong identity card number which in turn states that the holder has the right of abode in Hong Kong.

At the same time Britain has also stated that if any British national were to come under

national were to come under pressure to leave Hong Kong we would expect the government of the day to consider symmetric that they cannot count on

Copy date:

A FINANCIAL TIMES SURVEY

HONG KONG

ASA

FINANCIAL CENTRE

**Publication date: 1 October 1986** 

10 September 1986

pathetically the case for admis-

sion to the UK."
This declaration, made by Mr This declaration, made by Mr Douglas Hurd, the UK Home Secretary, falls short of what tha Indian community wants and what Hong Kong's Legislative Council recommended on the subject before it came to the House of Commons as a draft Order-in-Council at the end of last year. last year.

Britain acceded to two other Britain acceded to two other Legco recommendetions: visa-free entry for Hong Kong people visiting Britain on husiness or at leisure, and citizenship for Hong Kong survivors of Britain's armed forces who fought in the 1939-45 war.

in the 1939-45 war.

But Britain rejected citizenship for members of the Indian community, apparently because of the precedent it would set at home on an obviously sensitive issue. At one point Britain thought such a move would also show a lack of confidence on its part in the Sino-British agreement. But Peking and the Hong Kong Chinese community disbused it of this by indicating that the Indian community sught to be given UK citizenship.

ship.

Some long-time Hong Kong residents say cynically that Britato has no obligation to the Indian community. They argua that the Indians have done as well out of Hong Kong as the British have and could easily find citizenship elsewhare—in Britain or India—if they were only prepared to forego their profits to Hong Kong and leave.

The Indians say their connection with Hong Kong has always been on the hasis that it is British rather than Chinese. They came because of the British and the supported British rule. If the purpose of the Sino-UK agreement is to preserve stability and properity, they say, it

lty and properity, they say, it looks likely in practice to drive them away and that would be harmful rather than helpful to Hong Kong's economic well-being Where the fight goes from here is unclear. The British Labour Party has indicated that if it is voted into office it would review sympathetically the Indians' claims, but the Indians





Left: a police search during a pairol at Wanchai on Hong Kong Island and a harbour police launch on duty in Hong Kong Harbour

The Police

## Transition pains in the strong arm

this. If nothing else, the Indian community therefore needs to establish the precise circomstances under which Mr Rurd's promise might be redeemed.

This would not be an easy task and might not yield moch. After all, the present British administration in Hong Kong is already returning to China people fighting to escape ecross its borders into the territory. What would count as "persecution"

Indians' chances of winning British citizenship, which they would plainly prefer.

It would also get London off an awkward hook, and that is something which can come much later.

this. If nothing else, the Indian

Chris Sherwell

OF ALL the plentiful prob-lems associated with Hong Kong's reversion to Chinese sovereignty in 1997, those involborders into the territory. What would count as "persecution" against Indians in the run-up to 1997, and afterwards?
The other more likely possibility is that the Indians actually apply for Chinese citizenship. There is good reason to believe that Peking would accept them. It is not saying as much right now because that might hurt tha Indians' chances of winning the force is just one part of a larger civil service employing some 175,000 people. But it is the "strong arm" of u colonial administration, and the unease within it is clearly more acute. This is worrying in as much as it impairs the force's main tasks.

of protecting life and property, preventing and detecting crime and preserving the peace. By world standards, Hong Kong is a world standards, Hong Kong is a safe place: it has no terrorism and faw muggings, demonstra-tions or industrial disputes. But it does have to deal with "trisds" (secret societies), gang fights and serious problems of narcotics and illegal immigra-

Concerning the transition to 1997, most attention focuses on plans for "localisation", under which Chinese police officers currently held by expatriates.
Bot some local Chinese who
heve held sensitive jobs also
worry whether they can even
stay in the force after the handover to Peking's sovereignty.
The bulk of the police —

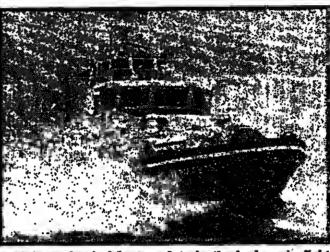
23,000 junior officers—are reckoned to have few concerns. It is the remainder — 1,200 local inspectors, 650 expatriate inspectors and 450 senior offic-ers — who will be directly affected, and who have become

The senior officers, for example — those with the rank of superintendent and ubove are 70 per cent expatriate, a proportion which stands in sharp contrast to the force as a whole, which is 96 per Chinese. To insure that a properly-run and efficient police force is handed over with some con-tinuity, this imbalance has to be

redressed before 1997.

The whole delicate process is due to commence in 1988, once a plan now before the Hong Kong government is affirmed. The various police associations have seen the details and given their comments, and some have expressed reservations. comments, and some have policy higher no the ladder.
Expressed reservations.

As things stand, there will be hand, have such an opportunity.



A high-speed pairel boat on duty in the harbour in fight against narcotics and illegal immigrants

a Chinese Commissioner of that the force can be expected Police in place by 1995, and at to draw some high-calibre least one Chinese Deputy Com-recruits in the immediate missioner of Police (out of future. three), in order to ensure an orderly succession. Localisa-tion will occur down to superintendent level, but in what proportion by 1997 is not being revealed. It seems likely that u 50:50 split between expatriates and locals will be sought, and that a place for expatriate expertise will remain for some time after 1997.

Thus while promotion is expected to continue on the basis of merit, e programme will also be followed to indentify local members of the force with outstanding potential. They will be given extra attention and training so that they are better able to get ahead. To hasten the process, artificial vacancies may be created, and certain expatriate contracts will not be renewed. There will also be some supercession in promo-

All this, inevitably has an effect lower down. Local inspectors above the age of about 38 are dissatisfied, because they feel they stand little chance of benefiting from rapid promotions caused by the localisation

For those who feel they caunot serve the new Hong Kong administration — policemen administration — policemen who helped suppress the last major riots in 1967 are typically cited — a ruling is being sought that they should not heve to leave the force without compensation. This is not likely to be granted, although individuals who are genuinely vulnerable would probably have their claims met.

applications were put in, in 1963.

The inspectors now regard tha matter as a test of faith which Britain is close to failing. That they should be unhappy over this, and over serving u future administration, is hardly surprising. As they potot out, the police are the only civil serving. vants in Hong Kong obliged to swear an oath of allegiance to

contract which offered a gratuity at its conclusion worth 25 per cent of earnings. Now, following the Sino-Brit-

tors, the 650 expatriete inspec-tors have a financial, as much as a career, decision weighing in

a career, decision weighing in their minds. Until last year, they had a choice of joining the force on " permanent and peosion-able" terms in on a three-year

ish agreement, all recruitment is on contract, and those who were already to the force at the time of the change have to choose whether to stay on contract of transfer to permanent and pensionable terms.

and pensionalite terms.
Currently about 500 of the 650
are on contract, and the deadline for choosing is September.
Their choice does not affect Their choice does not affect their promotion prospects, but those who stay on contracts face the possibility that these will not be renewed on expiry. Before deciding whether to change to pensionable terms, the inspectors also need to know details of compensation, should their jobs be localised. Details of this are due from Whitehall shortly, at which point the inspectors' only conpoint the inspectors' only con-cern will be whether the post-1997 Hong Kong administration meets its obligations. Britain refuses to offer any guarantee on this, precisely because It might encourage the new gov-ernment not to shoulder its responsibilities.

pensation. This is not likely to be granted, although individuals who are genuinely vulnerable would probebly have their claims met.

Some local inspectors have gone so far as to seek British citizenship under a provision of the 1961 UK Nationality legislation, which epplies to Crown servants in dependent territories. The British Home Office has still made no decision since the applications were put in, in

Whatever happens, the crucial aim is to preserve morale within the force. Although the police associations tend to doubt it, Mr Raymon Anning the Commissioner of Police feels this is not currently a problem. He also has no doubts that the local talent exists to ensure an effective transition without hardship or unfairness.

Chris Sherwell

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The Financial Times proposes to publish a survey on Hong Kong as a Financial Centre on 1 October 1986. The survey will cover the inauguration of a new unified stock exchange, focus on Hong Kong's likely future role as a financial centre and describes how the Territory is striving to develop as a sophisticated services centre, with China in mind as a main customer. Will investor confidence survive the fast-approaching change in Hong Kong's political status? What effect will be felt from the rapid growth of Tokyo's markets, and from the poor economic outlook for several key South-East Asian economies?

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FINANCIALTIMES

SURVEYS SUBJECT TO CHANGE AT THE DISCRETION OF THE EDITOR

## Executive guide to the territory

IF YOU are travelling from Europe, Cathay Pacific's weekly non-stop flights from Gatwick are the most painless way to cover the miles. From the US, many people fly to Vancouver, British Columbia, and take Cathay's non-stop flight across the Pacific.

Not only are the non-stop lights quicker but they are kinder to the body rhythms. You leave Gatwick on Saturday evening, have dinner, watch e film and go to sleep. There are no rude ewakesings as you descend on Dubai or Bahrain or whenever at some chaptly hour ever at some ghastly hour of their night

#### Hotels and the services offered

MOST senior executives still choose the Mandarin Hotel and there is no question that the service is excellent. It has a number of small rooms for meetings end entertaining and could not be nearer to the heart of the financial district

But its pool is good for little more than dipping a toe—which is unfortunate at the end of a day working in temperatures close to 35C and with soaking

For people concerned about keeping fit while travelling (and who is not?) the Hilton has a lot in its favour. Its health eentre has good gym equipment, its pool is of generous size, and if you are keen on jogging a hotel car will take you et 6.30 any morning to the western end of Bowen Road for one of the terri-

marvellous view of Hong Kong Island, must soon be acknowledged as one of the world's best

Nearly as good are the Shan-gri-La in Tsim Sha Tsui and the stately Peninsula, gilt ceilings, green Rolls-Royces and ail, though views of Hong Kong Har-tral Hong Kong, and Fat Sui Lau bour from the Peninsula are in Tsim Sha Tsul all have loyal marred somewhat by a giant patrons. g-shaped cement structure honsing the Space Museum.

for China or elsewhere in the colleague. Fresh steamed fish Far East, who is getting up for a should never be missed, though crack-of-dawn flight, should fresh fish in any form can be think seriously about staying at the Regal Airport Meridian. It is nearly in the Mandarin class and has views of Victoria

Harbour.
The airport Meridlan also has
e China Business Cantre, which
can be useful for anyone planning e working trip to the main-

Most good hotels provide a cer service to the airport. Not only does this provide e convenient and comfortable link between the end of e long flight and the hotel but it eliminates the need to change currency at the appalling rates offered at tha

From September to early December Hong Kong hotels are booked solid. Anyone resh enough to think he "can always find a room somewhere " will prohebly find himself camped in e hotel lobby or worse. Book-ings have therefore to be made well in advance whenever possible.

If you are really in a jam think seriously about hopping over to Macao to stay at the Oriental or the Pousada de Sao Tiago. Mecao is only 50 minutes eway by jetfoil and the hotels there

#### World-wide cuisine for eating out

FOR EATING out Hong Kong offers an embarrassment of riches. There is almost no type of cuisine that is not evailable

tory's most spectacular five to a high standard.

The only hazards on this rare ettention is invidious and to level track are octogenarians some extent arbitrary, but no chi or calisthenics.

If yon have no particular reason for staying in the heart central Hong Kong several hotels on Kowloonsida equalor better—the quality of the Mandarin. The Page 11 is a movidious and to some extent arbitrary, but no one should fail to try Cantonese cooking. There are some excellent restaurants where you can dine in Western-style luxury, central Hong Kong several like the newly-opened Gnangzhou Gordon why-opened Gnangzhou Grant why-opened Gnangzhou Gordon why-opened Gnangzhou Grant why-opened Gnangzhou Gordon why-opened Gnangzhou Grant why-opened Gnangzhou G

But the best are usually noisy and crowded, with formice tables and tile floors. Fook Lam Moon in Wanchai probably stands in a class on its own, but places like the Sunning Unicorn in Causeway Bay, Sun Tung Lok in Heppy Valley, Luk Yu in cen-

For a Westerner, ordering a Cantonese meal poses problems Anyone passing through Hong and it is often a good idea to Kong overnight, either en route defer to an experienced local meetings in Kowloon, or the

fresh fish in any form can be stunningly expensive. Roast pigeon, prawns end other shell-fish and seafoods ere usually excellent. With vegetebles, ask the waiter which are freshest et the time. At lunchtime, all offer Dim Sum of mind-boggling

variety.
For Shanghai-style food, Yat Pan Hong in Kowloon is said to be where the ellie of the Shan-gheinese community send their chanffeurs to collect take-out to sustain them through all-night gamhling sessions. Non-Chinese diners are rare, but the prop-rietors ere more than usually helpful in choosing dishes. In the antumn, Shanghai heiry

In the antumn, Shanghai heiry crah should be tried, but don't order it if you are in a hurry becense a hairy crah is a difficult animal to take apart quickly. Soyed spice beef, braised eels and yellow fish in soup also take some beeting.

Sze Chuan Lan in Causeway

Sze Chuan Lan in Causeway Bay is one of the best places for the more spicy Sichuan food. Its Kumkwat orenge beef, sizzling prawns, hraised eggplant and perfumed chicken are all excel-

Among the best French restaurants perhaps the most outstanding are La France in the Regal Meriden, Gaddis at the Peninsnla, and La Plume, with its splendid harbour view of the Penent They are all at the Regent. They are all expensive but their cuisine is

impressive.
As a diversion e junk-ride to the fishfood restaurants in Lel Yne Mun is well worthwhile. An evening cruise to Sho Kwa Wan on Lamma Island, or at the weekend to Po Toi, can also be

#### Keeping 'face' in doing business

MOST businessmen in Hong Kong-Chinese or not-tend wear suits at work throughout the year. It is e curious habit in the hot and humid summer months but it persists.

Despite the heat it is often quickest to walk between meetings in the central area. Tha knack is in getting about with-ont emerging from the labyrinth of air-conditioned walkways. On longer trips keeping "face" may mean hiring a limousine, which all the hotels can provide at a

well-known hotel, or e prominent landmark, get someone to write down your destination in Chinese characters before you leave your hotel. If a driver has to take you through the cross harbour tunnel remember you must pay him the HK\$10 tunnel toll both ways.

Even so, taxis are cheapar than in most other cities. If you are hopelessly lost it is worth remembering that local telephone calls are free and no shop proprietor would object if you

proprietor would object if you asked to use his telephone. Hong Kong is not like China, India or Indonesia, so arriving late for meetings is

late for meetings is deplored. This causes one to "lose face," and while the idea of "face" exists in the West it is nothing like as refined as it is in Hong Kong.
With Chinese husinessman

the person you are speaking to is the boss or not.

Frequently, if e group of three or four are facing you across the table the boss will sit to one side and say little. In negotiation it is the minions who do that detailed work. The boss would "lose face" if ha cooducted them himself and ha will normally appear only when agreement is about to be

So many Hong Kong people speak such finent English that a

during a meeting. While the Chinese sometimes drink West-

mass transit railway to the east of Hong Kong Island, or the New Territories is quicker and more interesting.

There ere plenty of taxis, hat do not essume your driver will tea. When you are offered a understand English. If you are going anywhere other than to a well-known hotel, or e prominent landmark, get someone to

#### Relaxing with junkets on junks

spare your first objective ought to be to get out on board e junk, for there can be no better way to relax at the weekend than to watch Hong Kong's spectacular panorames drift by from the water.

water.

Many company junks carry windsurfing and waterskiing equipment for the energetic. Junk trips are also an excellent way to entertain or be entertained. If neither your company nor your clients in Hong Kong have e junk a few hints during meetings may lead to an invita-

on board for np to 60 people. Another "must" is a day at In Hong Kong companies it will normally be clear enough who is in charge, but in second the courses are second to the course are second to the in Hong Kong companies it The Happy valley and Shalls will normally be clear enough trace courses are among the who is in charge, but in many of the mainland Chinese organisations based in Hong Kong it is rarely clear. Talks can start enclosure, but you will need with you having no idaa whether high-level connections and lot of the start of the course of the connections and the connections are that

unless they are members in their own right.

Among the more unusual excursions, Heliservices will

south of the island. . Many of the elite enjoy a game

with Chinese husinessman you "lose face." if you telephone to arrange meetings. It suggests that you have no one to do it for you and gives your counterpart no chance to say "no" without causing offence.

The Chinese are nsually embarrassed whan saying "no" directly. Phrases like "there may be e little difficulty" or "can we talk about this later?" are often as clear and blunt a lave e junk a few hints during meetings may lead to an invitation. Most banks and stockbrokers, as well as local husinessman have junks.

It is possible to hire a junk and seven hints during meetings may lead to an invitation. Most banks and stockbrokers, as well as local husinessman have junks.

It is possible to hire a junk and a good bet is the Hilton Hotel'a clipper Wanfu. This would cost between HK\$2,800 and HK\$3,500 for e four-hour cruise. Receptions can be held on board for np to 60 people.

of string pulling to arrange that.
The Hong Kong Tourist
Association arranges exclusive
but expensive packages for visitors to watch the racing from the members' enclosure. Numbers are strictly limited, so advance booking is essential. One draw-back is that you have to be a visitor to qualify, so local friends cannot go along with you ness entertaining with a visit to China—is to spend a weekend at the Zhongshan golf coure. Zhongshan is China's first golf

western businessman often take you on a half-hour helicopforgets that his counterpart is in
fact speaking his second or
perhaps third language. Avoid
linguistic confusion by talking
more slowly, simply and clearly
than usual end avoid jargon.

Never forget to offer drinks
during a meeting. While the

courses are difficult and expen-sive. A novel solution to the problem—and an excellent opportunity to combina busi-Zhongshan Hot Springs Hotel cost up to US\$40 a night.

Part of the entertainment: Happy Valley Racecourse

#### Travelling on to China

course and recently hosted its first professional-amateur tournament. It was designed by Arnold Palmer, with turf brought from Bermuda. Green MANY travellers use Hong Kong as their entrance to China. If you do not already have a visa, tourist visas can be arranged within hours by good travel agents in Hong Kong and are perfectly acceptable to the fees are a mere HK\$100 and there are rarely more than 60 people to be seen on the course, which is laid out with wooded

which is laid out with wooded mountains on one side and rice paddy fields on the other.

Five-bedroom lodges, designed in the style of Chinese courtyard houses, adjoin the longest markets acceptance to the Chinese immigration officials.

Getting a seat on an aircraft to Peking can be difficult, however, especially, if you are reluctant to fly with CAAC, China's national airline. CAAC is

of golf, but visitors may find that course and can be rented for notorious not just because the arrangements to plan a round at US\$200 a night. Otherwise, service is awful but because its the Deep Water Bay or Fanling rooms at the comfortable aircraft are old and its record leaving or arriving on time is appailing.

appalling.

If you want to avoid CAAC it is worth knowing that Cathay Pacific files direct services to Shanghai and Peking, while the fledgeling Dragonair flies to Canton, Xiamen, and Hangahou

(with other routes planned).

When flights are full a train or ferry trip to Canton is a simple matter. So is a taxi-ride to Canmatter. So it a taxi-ride to Lanton from Shenzhen on Hong Kong's border at Lows, where onward air connections are more easily arranged. Leaving Hong Kong by land also has the advantage of being easier on the wallet. The airport exit tax is now HKE120.

David Dodwell

#### Tourism

### Slight fall in occupancy rate

WHILE MOST Hong Kong concerns connected with tourism and hotels believe that the future is rosy, there are several areas of worry

ern and European terrorism does seem to be keeping tourists away from Asia. A depreciated Australian dollar, for instance, seems to be keeping more potential travellers Down

Under.

As China increases direct flights and cruises from ahroad, more peopla might be inclined to bypass Hong Kong or to spend less time and money in the terri-

tory.

Hong Kong's hotel building already in progress or planned is expected to produce a 40 per cent increase in hotel room over four years, a prospect which has stopped soms planned projects because of fear of a gint.

"Hong Kong's tourist indus-try, like others, is always having to cope with swings and round-abouts," says Mr John Pain, executive director of the Tour-ist Association, "but it is true that, for the moment, we are being hit by several things all at

four months were nearly 298,000, np 2.3 per cent on the period last year, and receipts for the first quarter were shont

HK\$3.7bn, up 11.8 per cent on the quarter in 1985. However, the length of stay per visit is declining, from 3.62 nights in 1984 to 3.55 last year, and it is this that is most wor-

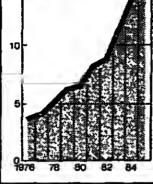
It is for this reason that the tourist authorities are placing their greatest efforts on promoting Hong Kong as a diverse, year-round attraction. "Hong Kong: Celebration for ell seasons" is the title of the Tourist Association's current world

Association a current work campaign.
While not abandoning Hong Kong a staple of quality and low price in its shops and restaurants, the main thrust is on sightseeing and the colony's calendar of special events.
Emphasis is placed on tours of Hong Kong Island'a famous bays and harbours, to the territory'a

Visitor Arrivals

**Hotel Occupancy** 

**Tourism Receipts** 



myriad other islands, day-trips to Chins itself, and on visits to Hong Kong's famous horse racing, the Paletarium and to
Ocean Park, which has one of
the world's largest oceanaria
and lowland and highland sections connected by cable car
and the world's longest covered

being hit by several things all at once. We are not looking for a tremendous summer and will have to work very hard to keep where we are."

Where Hong Kong is at, however, is far from being all that bad. Figures for 1985 ahow significant increases in both vals. Increasing promotion will arrivals and receipts. Visitors begin soon on Hong Kong as totalled nearly 3.5m. up 9.3 per convention host, with the that bad. Figures for 1985 ahow algnificant increases in both arrivals and receipts. Visitors totalled nearly 3.5m, up 9.3 per cent on 1984, and receipts, which still comprise Hong Kong convention host, with the approach of the 1988 opening of the Hong Kong Convention and Exhibition Centre, a complex of exchange earner, were HK\$14.8bn, np 5.5 per cent. Moreover, latest figures for the first shis year show continued growth over 1985. Arrivals for the first four months were nearly good on p 2.3 per cent on the

world."
Mr Pain, government officiels Mr Pain, government officiels and hoteliers all agree that that territory's attractions should be increased by the expansion of airline competition to the Pacific region and the current hotel building programme's emphasis on medium-priced rooms as opposed to the territory's traditional five-star fare.

They also point out that until recently Hong Kong suffered from a shortage of rooms, especially in providing a wida choice, with most hotels having well over 90 per cent average occupancy retes.

occupancy retes.
Cathay Pacific, Hong Kong's
own eirline, has just added
additional London flights and additional London Hights and opened new services for Paris, Rome, West Germany and Vancouver. From next month, the airline will extend its ærvices to San Francisco. Cathay's new Peking and established Shanghai routes are said to be

operating at more than 80 per cant capacity.

The tourist industry believes

The tourist industry believes that Cathay's expansion, conpled with increased Hong Kong-London flights by British Caledonian next month, United's taking over Pan-Am's Pecific routes, and Northwest Orient's continued aggressive sales policy, should ensure fares remain competitive.

The falling occupancy rate. The falling occupancy rate, down to 88 per cent last year from 89 per cent in 1984 and to 80 per cent in this year's first quarter from 86 per cent a year ego, and the expansion of a cur-rent 18,000 hotel rooms by 2,500 this year and a further 4,500 to 5,500 befors the end of the

5.500 before the end of the decade seems to worry serionsly neither husiness organisations nor the hotellers themselves.

Mr Psin says: "Hong Kong's hotel huilders have got it right for more than 20 years. Shortages of rooms have rarely lasted more then aix months, with any significant oversupply roughly similar." roughly similar."

The expected " marginal oversupply," he helieves, could prodnce occupancy rates of
between 70 and 80 per cent over

between 70 and 80 per cent over the next 12 to 18 months, "still good by world standards."

Mr Manuel Wood, executive director of the 50-member Hong Kong Hotels Associetion, admits that this year is "cer-tainly softer" than last hut, like Mr Pain, discounts the frequent comparisons made between comparisons made hetween Hong Kong and Singapore, where many occapancy rstes are thought to be between only

are thought to be between only 20 and 50 per cent and where 70 per cent is thought to be exceptional.

Both men point ont that, whereas Singapore Government policy, ermed with investment incentives, mesnt a heavy hotel

bnilding programme in e very short period. Hong Kong's expansion is being spread over a relatively lengthy time.

The 17 new hotels due to open over the next three years are, then, a significant vote of confidence in Hong Kong. Moreover, several existing hoteis, such as the Hilton, Peninsula and Lee Gardens, have just completed Gardens, have just completed extensive refurbishment, or,

like the Mandarin, are planning

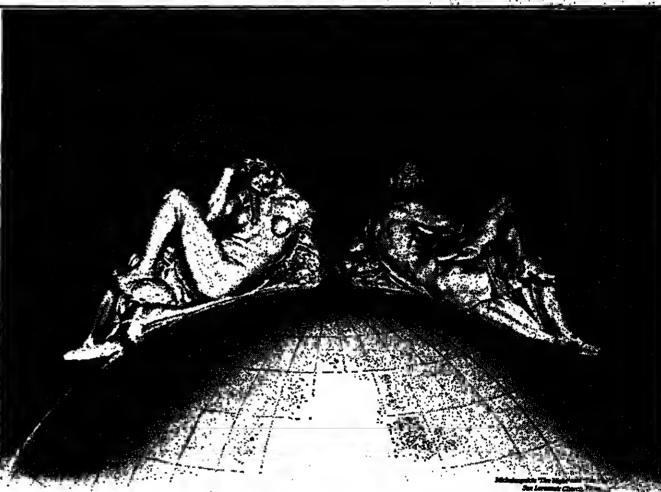
to.

Mr Eric Waterhouse, managing director of the Mandarin Oriental group, which will spend HK\$100m on completely remodelling all of the Mandarin's 540 rooms over two years, says that the drop in occupancy rates is, in part, caused by more companies huying or renting flats for visiting employees or guests and to more people staying with friends rather than in hotels hecause of the earlier shortage of hotel rooms and high prices. Unlike Singapore, he says, where there eppeared to be a where there eppeared to be a five or seven year oversupply without the possibility of a visiwithout the possibility of e visitor growth rate overcoming it in the short-term. Hong Kong would not be truly oversupplied and, moreover, was in the process of broadening its price range down market to compete more effectively with places like Singapore, Kusla Lumpur end Manila.

"Occupency will probably come down." he says, " the mid-70s to 80 per cent occupancy rate now looks probable. This is good by world standards, even

good hy world standards, even Asian standards, and, even if it is in the mid-70s, the hotels will still be highly profitable.

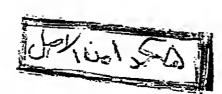
Larry Klinger



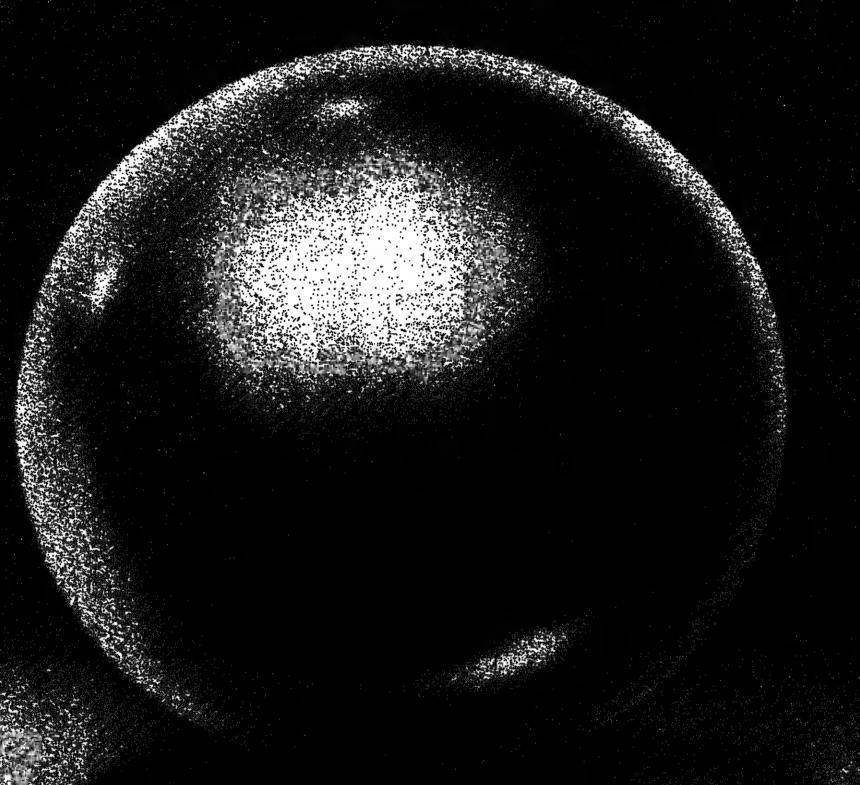
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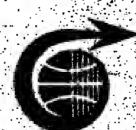
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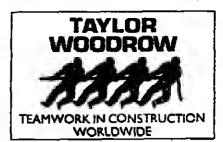
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### SECTION II - COMPANIES AND MARKETS

## **FINANCIAL TIMES**

Friday June 27 1986



### Morgan Grenfell and Thames TV issues heavily oversubscribed THESE mergers were so outra-

ceived a long-awaited stimulus yesterday when the offer for sale of Thames Television, the commercial TV station serving London and the south-east of England, attracted £872.8m and was almost 26 times oversubscribed. The tender for sale of Morgan Grenfell, the banking and securities group, was also heav-

ily oversubscribed. Thames received 102,628 applica-tions for 459.39m shares at 190p each. In the flotation, which valued Thames at C91.2m (\$138m) about 17m shares were released, repre-senting 35.6 per cent of Thames's

equity.

The issue attracted extraordinarily high interest from "stags" or mul-tiple applicants. Thames's mer-chant bank, County, said it had weeded out "literally cratefuls" of multiple applications from the thou-

sands of forms sent in.

In the weeks before the flotation, Thames mounted an ambitious advertising campaign to encourage its viewers to apply for shares in the company. County said some 27,000 applications were received for the minimum allocation of 200 shares, although almost half the £872.8m came from applications for more than 100,000 shares.

We received a complete mixture of applications from investment institutions such as the insurance

BRITAIN'S new issues market re- houses and pension funds to what I would call the viewing public," said Mr Robert Dutton, a director of

> The offer of shares to Thames's employees was also oversubscribed. Members of staff were given preferential rights to 1.7m shares but the offer attracted 1,133 applications for 5.142m shares. County has devised a process of allocation which should ensure that almost half the public applicants, and all the empl receive at least some of the shares applied for.

> Thames will almost certainly trade at a premium when dealings begin on Thursday. Dealers in the "grey" or unofficial market quoted prices of 214p or 216p for Thames's shares yesterday.

> David Lascelles adds: Morgan Grenfell's offer of 32m shares was closed after only one minute yesterday as investors poured in applica-tions for the merchant bank's stock. Morgan said the issue was heavily oversubscribed. It was still counting last night, and expects to announce the basis of allocation this

Morgan is offering its shares by tender for a minimum 425p each, at which price it would raise about £136m. However, brokers expect successful bids to be in excess of

# Singleton group buys

**Dallas Times Herald** 

TIMES MIRROR, the Los Angeles-based newspaper group, yesterday acquired the Times Herald and KDFW-IV station serving the Dalbased newspaper group, yesterday agreed to sell the Dallas Times Herald to a company led by Mr William Dean Singleton, a Texan-born newspaper publisher, for \$110m in

Mr Robert Erburu, chairman, president and chief executive of Times Mirror, said the group had decided to sell the title because "its sale at this time is consistent with our corporate strategy and is in the best long-term future of the Times Herald." Times Mirror, which recently agreed to buy the Baltimore Sun newspapers from A.S. Abell for \$600m, also owns the Los Angeles Times, New York's Newsday news-

\$285m in this second quarter because of the need to make provi-

The news is the latest sign of the

several major banks in the US oil

las Fort Worth area in the 1970. The radio station is being retained.

Mr Singleton, aged 34, has built up a publishing empire which includes 21 daily newspapers in six states. The acquisition of the Dallas Times Herald and planned purchase of two smaller dailies will lift his fast synanding newspaper busihis fast-expanding newspaper busi-ness into the top 10 US national dai-

hy newspaper groups.

The Daltas newspaper will be owned by a partnership company including Mr Singleton and two long-term business associates, Mr Richard Scodder, and Mr John Buzzetta, aged 35, publisher of the Star-Reacos Obio newspaper. Beacoa Ohio newspaper.

### William Hall charts the growing market dominated by Coca-Cola and PepsiCo

## US bid ruling leaves soft drinks battle fizzing

geous and so harmful to consumers that even the Reagan Administratioa realised it had to oppose them, said one leading US politician last week. Many Americans would agree, but beyond that there is little consensus about what may happen next in the fast growing US soft drinks business.

Ever since PepsiCo announced its \$380m bid for Seven-Up, and Coca-Cola replied with its \$470m bid for Dr Pepper at the start of the year, the soft drinks business has been in

It is most unlikely that the Federal Trade Commission's decision to oppose the deals is going to restore peace in the battle for control of the 40bn-a-year industry. US soft drink sales have been

growing at a healthy 9 per cent a year and over half of the sales are made by two mega-brand compa-nies, Coca-Cola and PepsiCo. Coca-Cole, which has a stock market csp-italisation of \$15.5bn holds 39 per cent of the US soft drinks market, while PepsiCo, which is capitalised at \$9.1bn. has a 29 per cent share. Until now, the soft drinks businsket share in the US, partly at ness has not been the sort of place the expense of Coca-Cola's fingship

THE US Federal Trade Commission's decision to go to court to block the proposed mergers of Coca-Cola and Dr Pepper and Pepsi Co and Seven-Up is seen in Washington as a step which draws a boundary for the antitrust enforcement policies of the Reagan Administration, writes Stewart Fleming. But it is a boundary which is not very re-strictive and Administration critics say is not clear-cut.

Congressional ann-was excialists point out that, had the two mergers gone through, Coke and Pepsi would have increased their combined share of the US soft drinks market from 67 to 81 It would have been hard, even

with its less stringent attitude to for the little guy. Despite engaging in the marketing equivalent of open warfare for years, Coca-Cola and PepsiCo have both been doing very

for the Reagan Administration

PepsiCo has been increasing its

the subject, to have approve deals that would reduce the industry to just two competitors. The FTC Court filing on Tuesday says the Coke-Dr Pepper deal would violate Section 7 of

the Clayton Anti-Trust Act. It would, the FTC says, eliminate direct competition between Coke and Dr Pepper; incilitate collusion among market participants; make entry to the market harder and raise the costs and reduce the competitiveness of nies in the sector. ther companies in the sector. The FTC - and that nowadays

means in practice the White House - has taken a stand on a seemingly open-and-shut case, but still has not revealed much ment policy on less clear-cut sit-

hrand, but Coca-Cola has a much is market share. Space on the su-higger overseas business than Pep-siCo and has been able to offset this means that the dominant sluggish sales of its traditional Co-ca-Cola brand with a wave of new products such as Sprite, diet Coca-such as the McDonald's chain. tola and cherry Coca-Cola.

The key to success in soft drinks

Meanwhile, Coca-Cola and PepsiCo have been consolidating their Cola and cherry Coca-Cola.

**US Soft Drinks** 

Market

Royal Crown 4-69

Other,16 Ox

Or Peoper 6:3%

Seven-Up 7-1%

smaller soft drink companies to break into the marketplace in a hig Seven-Up is a prime example. It has been owned for some time by Philip Morris, the tobacco and consumer goods conglomerate which is cated that it would join Coca-Cols in no slouch when it comes to market-

hold on the companies which bottle

ing skills. Philip Morris is bigger than Coca-Cola and has the sort of financial muscle which should have enabled Seven-Up to challenge the grip of Coca-Cola and PepsiCo. Despite its well known brand name, Seven-Up has not been a suc-cessful member of the Philip Morris stable. It is experiencing increasing difficulty holding on to its 7 per cent market share in the face of competition from such products as Coca-Cola's Sprite, Philip Morris is going ahead with plans to find a new buy-

PepsiCo says it is still interested in buying Seven-Up's international operations, which would presum. Busch, the biggest US beer produc-ably not upset the US Government, er. Procter & Gamble, the detergent and would enable it to strengthen and soap goods giarit, and Seagram.

er for Seven Up to replace Coca-Co-

Meanwhile, Coca-Cola said it intheir products and this in turn tended to fight the Federal Trade makes it increasingly difficult for Commission decision to oppose its takeover of Dr Pepper, which has surprised some Wall Street analysts who thought that the main reason Coca-Cola launehed its bid was to scuttle PepsiCo's efforts to win Seven-Up. Yesterday Dr Pepper indiopposing the FTC decision.

Dr Pepper was taken private through a management bu, out in 1984 organised by Forstmann Little. a New York firm which specialises in leveraged deals.

Among possible overseas by yers, Cadbury Schweppes is often men-

Mr Jesse Meyers, editor of the widely quoted Beverage Digest, says there is going to be a "whirl-wind of interest," with many of companies in the US and abroad "lusting after the possibility of taking over Seven-Up or Uir Pepper."

Among possible Candidates in North America are Anheuser-

## and earnings rise

BY DAVID WHITE IN MADRID

Telefonica revenue

COMPANIA Telefonica Nacional de Espana, Spain's 47 per cent statecontrolled telecommunications company, which last year gained stock market listings in London. Paris, Frankfurt and Tokyo, yesterday announced a 20 per cent increase in its 1985 net profit to Pta 39.15bn (\$275m). Total revenue for the year was

12.6 per cent up at Pta 429.2bn. The company, which is currently considering a New York listing as the last stage of its move on to international stock exchanges, is pro-posing to repeat the same total divi-dend of 11 per cent, on capital which was increased by 12.5 per cent during the year to Pta 360.5bn. Share capital has since been further increased to Pia 400.5bn.

Mr. Luis Solans, charman, said Telefonica had socceeded in virtually stabilising its financial costs,

which rose by 3 per cent to Pt 80.07bn after soaring in recent years by close to 20 per cent a year. He said the company's foreign debt, which stood at Pta 213bn in 1983, would be down to Pta 100hn by the end of this year. The compaay last year made early repayments of Pts 29.4bn, reducing the burden of foreign debt as a proportion of to-tal liabilities from 14 per cent to 11 per cent. At the same time, it replaced some of its foreign credits with new debt at lower interest

rates and with longer maturities.
Investment, which rose at a relatively modest rate of 7 per cent to Pta 187.9hm, partly because of delays in delivery of new telephone exchanges, was two-thirds self-financed, reflecting a progressive in-creese in Telefonica's own financing capacity over the last four

### Suchard buys control of bank

BY JOHN WICKS IN ZURICH

were negotiated. Mr Cox resigned from the bank on June 13. Mr Stewart said that in spite of the second-quarter loss, which be expected to range between \$250m

and \$265m, the group still retained primary capital of \$1.4bm, or 7.4 per cent of total assets.

After strong profits growth in the late 1970s and early 1980s, Inter-First reached aet earnings of \$207m

in 1982. It went \$172m into the red

Italian insurer

lifts profits

35 per cent

By Our Milan Correspondent RIUNIONE Adriatica di Sicurta

(RAS), Italy's second largest insur-ance group, which is controlled by Allianz Versicherung of West Germany, yesterday unveiled a L27.5bn (\$18m) net profit for last year, an in-

crease of 34.8 per cent on 1984 re-

RAS said its 1985 total premium income was up by 15.4 per cent to L3,661bn. The Milan-based insurer is raising L60bn through a rights is-sue in order to strengthen its life in-

Insurance business from Italy last year came to L1,152bp or less

than a third of total group prem-

iums. Of the Italian total, some L897on came from accident insurance and the balance from life. Allianz acquired effective control of RAS in late 1984, at first taking a

one third stake. It now owns 43.5

per cent of RAS. The Allianz stake

will rise to 51 per cent in the next year or so. About 40 per cent of RAS shares are held on the Milan

◆ La Fondiaria, the Florence-base

insurance company which is con-trolled by Montedison, said yester-

day that its 1985 pet profit rose by 44.1 per cent to L72bn. Total prem-

ium income at the end of last year stood at L555.5bn against L483.8bn in 1984. Montedison controls 25.11 per cent of La Fondiaria, one of Ita-ly's richest insurers.

surance division

### AMI suffers 59% fall in quarterly income

BY OUR NEW YORK STAFF

AMERICAN Medical International own determination to reverse these AMI), which claims to have ounded the investor-owned hospital industry in the US, yesterday re-ported a 59 per cent fall in third quarter net income to \$21.5m, or 25 cents a share, despite a 30 per ceat rise in gross revenue to \$907m.

Mr Walter L. Weisman, AMTs chief executive, said: "The message behind our record revenues and our declining earnings is clear; we are not managing our costs effectively." He said the fact that other major companies in the investor-owned health care industry were facing writedowns, cost escalations and earnings declines. "Intensifies our

negative trends at AMI as forcefully and rapidly as possible

Mr Weisman said AMTs senior management team had been "coa-lesced and revitalised" in recent weeks. The company bad taken the initial steps to implement "the most significant cost-reduction pro

gramme in the company's history." He said: "In the final analysis, I believe the pressures that the health care industry has faced over recent years will result in leaner, more efficient companies to the benefit of sharebolders and consumers." AMT's shares slipped \$14 to \$17 in early trading yesterday.

### IRI chairman favours Ford-Alfa merger plan

PROF Romano Prodi, chairman of as a corporate unit. It would also is "the most advantageous" propos- that a final decision on the matter

out its own plan for Alfa.

Italy's IRI state holding group ensure maximum use of Alfa's prodwhich owns the Alfa Romeo car uctive capacity and be "less risky company, says the prospect of a and less costly" for Alfa's parent, takeover of Alfa by Ford of the US Prof Prodi stressed yesterday

would have to want until July 21, In his first public reaction to the when Alfa and Ford conclude 60 proposal, Prof Prod listed four readays of technical feasibility talks, sons why he wanted to go ahead Last month Ford and Alia anwith the sale of financially troubled nounced the start of these talks and Alfa Romeo to Ford. the prospect of Ford eventually tak-Prof Prod's comments come two weeks after a row broke out be-Fiat, whose own car-merger talks

tween IR1 and Fiat, Italy's biggest with Ford of Europe broke down private sector group which spelled last autumn, says its plan for Alfa out its own plan for Alfa. would preserve the integrity and The IRI chairman said a deal idenaty of the state-owned car with Ford would keep Alfa together maker.

# paper, papers in Hartford, Connecticut and Denver, Colorado, together with extensive television interests. Last year the group produced net profits of \$217.8m on sales of almost \$35m. The Los Angeles-based group Bescoa Unio newspaper. The three men run two newspaper and chocolate group, has papers and Gloucester Times, with group produced in the controlling interest in libero-Amerika Bank. The Zurich company had already held a minority stake in the German cartel authorities. Ibero-Amerika is a specialist in finer.

man bank, which at the end of last financing Latin American trade InterFirst warns of \$285m setback

kets served by the company and the

depressed state of the economy in

He said that "a material amount" of the increased loan loss provision related to \$80m of credit facilities

made by InterFirst Bank Dellas to

Mr Edwin L. Cox, a former director

committee at the time the loans

Texas and the south west."

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April, 1986

This announcement appears as a matter of record only.

INTERFIRST, the hig Texas bank which has been hit by the collapse in oil and gas prices, has announced shout the impact of falling oil prices to markets condition in certain real estate markets.

InterFirst, with assets of \$19.8bn.

Mr Robert Stewart, InterFirst

serious financial trouble facing, chief executive, said that the latest of the bank who sat on the credit

provisions reflected "the continua-

first ran into problems in 1983 and

that it expects to lose as much as on the more troubled institutions.

cause of the need to make provenions of up to \$365m on troubled loans. It also said that it would be unable to pay cash dividends for the forseeable future.

The need to make provening to reconstruction to make provening to reconstruction. It was barely profitable in the first quarter and recently slashed its dividend.

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June, 1986

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Particulars of the Notes and the Issuer are available in the Extel Statistical Service. Copies of the listing particulars relating to the Notes may be obtained during usual business hours on any weekday (Saturday excepted) up to and including Tuesday, 1st July, 1986 from the Company Announcements Office of The Stock Exchange and up to and including Priday, 11th July,

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### Banca del Lavoro plans 49% share sale

By Alan Friedman in Milan

BANCA Nazionale del Lavoro (BNL), Italy's largest bank, has an-nounced plans which will see up to 48 per cent of the state-owned institutions's equity sold to investors in Italy and abroad. The timing and details of the share sale have yet to

Mr Nerio Nesi, BNL chairman, unveiled plans in Rome which would allow the bank to change its statute in order to go shead with the privatisation offer. BNL is today 85.78 per cent owned by tha Italian Treasury and the rest of the shares are also state held.

Mr Giovanni Goria, Italy's Treasury Minister, gave his formal backing to the BNL partial privati-sation plan. The Bank of Italy has also approved the move, which would keep state control at a mininum 51 per cent.

BNL has already sold more than L400bn (\$263m) of non-voting shares on the Milan bourse. However, this share sale, last December did not dilute the Treasury's owner ship of \$5.78 per cent of voting equi-

RNL has 403 branches in Italy, Mr Nesi is one of Italy's most acive and outspoken bankers. He is also a colourful figure on the Italian banking scene and has close ties to the Socialist Party of Prime Minister Mr Bettino Craxi.

#### Kredietbank

KREDIETBANK S.A. LAXEMBOR geoise is a Luxembourg bank and not a Belgian bank as stated in yesterday's FT. The bank is 45 per cent owned by Almania Krediethank Group of Belgium.

> Wells Fargo & Company U.S. \$100,000,000

Subordinated . Floating Rate Capital Notes due September 1997

In accordance with the provisions of the Notes, notice is hereby given that for the Interest period 27th June, 1986 to 29th September, 1986 the Notes will carry an Interest Rate of 7916 % per simmin.

interest payment date 29th . eptember, 1986 will amount to US\$180-49 per US\$10,000 Note. Agent Bank:

serest psyable on the releva

NL Industries may sell part of chemicals unit to deter bids

BY WILLIAM HALL IN NEW YORK

US ciffield services company, has rejected an unwelcome \$15 a share offer from Mr Harold Simmons, a Dallas financier, and announced The termination of the self-termination statement with the Securities most profitable operation.

.The company said it had termi-

plans to spin off to the public a der offer was one of a series of and Exchange Commission for an initial public offering of 8.85m initial public offering of 8.85m

in an increasingly desperate battle to retain its independence. NL's

NL INDUSTRIES, the embattled lowing an earlier hostile approach nent businesses is significantly

shares, or 18 per cent, in NL Chemi-cals, of which 2.6m shares are to be nated an earlier self-tender offer board, in rejecting the Simmons of fer 7.5m shares which it launched to fer, said that it believed "the inhermal stockholder values" followed the company's composite the stock is between stockholder values. The cause of the company's composite the stock is between stockholder values.

### Zale rejects third Peoples offer

control by Peoples Jewellers of To-

Zale's rejection of the latest Zale's rejection of the latest \$42 in cash and \$4 in senior pier \$502m offer brought an angry referred stock for each Zale common the founding Zale and Lipshy fami-ferred stock for each Zale common the founding Zale and Lipshy families. Mr Donald Zale, chairman, said that shareholders owning about \$37 in New York.

"appalled" that Zale's board had decided in less than an hour to deprive public shareholders of the opportunity to sell their stock at a best served under the present circular to bar a merger with or sale to Peoples.

ZALE, the Dallas-based jewellery significant premium to market cumstances by the corporation re-chain, has rebuffed a third hid for prices.

\$42 in cash and \$4 in senior pre-ferred stock for each Zale common ferred stock for each Zele common share. Zele's shares have traded recently at about \$37 in New York.

the founding Zele and Lipshy families. Mr Donald Zele, chairman, said that shareholders owning

The main barrier to the takeover The latest offer by Peoples was hid by Peoples is the controlling to in cash and \$4 in senior pre-

**Federal Farm Credit Banks Consolidated** Systemwide Bonds

6.60 % \$1,006,000,000

CUSIP NO. 313311 PK 2

**DUE JANUARY 5, 1987** Interest on the above issue payable at maturity

Dated July 1, 1986

**Price 100%** 

The Bonds are the joint and several obligations of The Thirty-seven Federal Farm Credit Banks and are issued under the authority of the Farm Credit Act of 1971. The Bonds are not Government obligations and are not guaranteed by the Government.

Bonds are Available in Book-Entry Form Only.

**Federal Farm Credit Banks Funding Corporation** 

90 William Street, NewYork, N.Y. 10038

- The Farm Credit System



porition again in 1985 in medium and long-term

ments expanded by 25 to over DM 5 billion,

k, Head Office: 53 Boun 2, Kennedyallee 62–70, FRG, Telephone: (228) 889-0, Bi

### INTERNATIONAL COMPANIES and FINANCE

### Tisco to expand steelmaking capacity

By R. C. Murthy in Bombay TATA IRON and Steel Com-

pany (Tisco), India's largest private sector company, plans to expand its steelmaking capacity to 3m tonnes from the The Indian government, which has in the past opposed the private sector expanding in

steel, "is not averse in principle" to Tisco's plans, Mr Russi Mody, Tisco's chairman,

said yesterday.

The Rs 15bn (\$1.2bn) steel expansion project is intended to meet anticipated demand between 1995 and the end of the century. The company bas just launched a Rs 11bn modernisation plan, which includes the installation of a bar and rod mill, a new sinter plant, and s 1.3m tonne cement plant based

1.3m tonne cement plant based on slima from the steal plant.
The company plans to raise Rs 1bn in foreign currency loans overseas to finance the import of capital equipment. The bulk of tha rupee financa will come from internal sources.

will come from internal sources. Tisco's profits rose strongly in the year to March. Profits before tax advanced by 41 per cent to Rs 1.58bn on a 18 per cent increase in sales to Rs 12.85bn. Net earnings were up 8 per cent to Rs 1.07bn. The dividend is being raised by four percentage points to 25 per cant. In addition, the company is proposing a two-for-five scrip issue and a one-for-three rights issue. Tisco shares rose hy more than Rs 60 in Bombay yesterday to Rs 1,620. Ovar tha

yesterday to Rs 1,620. Ovar that past three days the gain has been more than Rs 200.

The government has permitted Tisco to import 150,000 tonnes of hot bricketed iron from Malaysia to restore the been more than Rs 200.

The government has permitted Tisco to import 150,000 tonnes of hot bricketed iron from Malaysis to restore the balance between its bot metal and steel production capacities.

The import will enabla Tisco to work the steej plant at full capacity.

BNP South East Asia, a subsidiary of Banque Nationale da \$\$12.7m (US\$5.74m) suit against stockbroker James Capel (Far East) and Mr Manharlal Gathani, a director of Ambassador Hotel, according to Singapore High Court officials.

### **Brother Industries interim** earnings down by 52%

Pre-tax profits fell 53.6 per cent to Y3.69bn (522.2m) and net profits were down 52 per cent to YI.96bn, on turnover of Y79.1bn, a fall of 11 per cent from a year ago. However, the company is to maintain its

company plans to purchase foreign-made parts and to establish a parts plant abroad in the future, ha added.

BROTHER INDUSTRIES, the Japanese manufacturer of sewing machines and typewriters, Details are yet to be fixed, suffered a profits fell of more than half in the six months to May, due in part to exchange losses from the yen's steep apprecietion.

Details are yet to be fixed, but the US plant is expected to involved in price cutting compendence oriented to local demands and oriented to local demands and apprecietion.

BROTHER INDUSTRIES, the dent, announced yesterday. It is the growing market for Japanese language word processors, but bere it has been involved in price cutting compendence oriented to local demands and company's domestic product drop of 18.6 per cent.

Sales of sewing market for Japanese language word processors, but bere it has been provide a product range more petition. Sales of information equipment, Brother's biggest business, showed a substitutal drop of 18.6 per cent.

Sales of sewing market for Japanese language word processors, but bere it has been provide in price cutting competition. Sales of information equipment, Brother's biggest business, showed a substitutal company's domestic product range more petition. Sales of information equipment, Brother's biggest business, showed a substitutal company's domestic product range more petition. Sales of information equipment, Brother's biggest business, showed a substitutal company's domestic product range more petition. Sales of information equipment, Brother's biggest business, showed a substitutal company's domestic product range more petition. Sales of information equipment, Brother's biggest business, showed a substitutal company's domestic product range more petition. Sales of sewing market for Japanese language word processors, but bere it has been involved in price cutting competition. Sales of sewing market for Japanese language word processors, but bere it has been involved in price cutting competition. Sales of sewing market for Japanese language word processors, but bere it has been involved in price cutting competition. Sales of sewing machines, the company's old profit mainstay, retreated by 9 per cent, attributed to mature domestic and overseas markets.

from a year ago. However, the company is to maintain its interim dividend at Y5 per share.

In an attempt to limit the impact of the yen's rise, Brother has decided to start production of information equipment in the US, Mr Katsuji Kawashima, its presi
future, ha added.

Brother Industries already mand overseas markets.

The company's export ratio rose to 62.1 per cent for the half year from 59.7 per cent a year earlier, reflecting weak demand in Japan. For tha full inventory edjustments on office per cent articoperation of 21 per cent anti-to Y7bn, on turnovar of Y167bn, dumping duties on typewriter ago. The estimates are based on a yan rate of Y160 to the dollar.

### First-half advance for Shiseido

SHISEIDO, Japan's leading non-operating income, which year to Y32.4hn on sales of cosmetics manufacturer, lifted more than offset a rise in adverpre-tax profits for the half-year tising and other costs.

Shiseido plans to increase pre-tax profits for the half-year to May by 5.9 per cent to Y16.58bn (\$100m).

Net profits rose by 4 per cent to Y6.58bn, on turnover of Y164.23bn, an increase of 2.7 per cent from the previous year.

Tha sales improvement stemmed from steady sales of men's cosmetics, sanltary products and a new toothpaste. The company is continuing to davelop new cosmetics using plant extracts.

The company attributed tha For the full year, the company Nagoya and Shikoku regions. espoings gain to bigher sales expects its pre-tax profits to rise The interim dividend Is and a Y2.48bn improvement in hy 3 per cent over the previous unchanged at Y5 per share.

Shiseido plans to increase investment in plant and equipment for the year to Y10.9bn from the previous year's Y8.6bn. The investment is designed to promote biotechnology research and the construction of distribution tion centres in the Kanto

### BNP subsidiary sues James Capel

Mr Gathani is alleged to have failed to repay a loan of \$\$11.4m plus intarest which was made last Juna for tha purchesa of 1.9m Ambasador Hotel shares at 536.75 each this month as security for the loan. But James Capel is allaged to 1.9m Ambasador Hotel shares at 536.75 each this month as security for the loan. But James Capel is allaged to take delivery of the shares and BNP wants the S\$12.7m back plus interest from the June 12 settlement day until the money is repaid.

U.S. \$400,000,000

The Kingdom of Belgium

Floating Rate Notes Due July, 2005

Interest rates applicable are as follows: 23rd Jan. 1986 to 24th Feb. 1986 - 89/16%

24th Feb. 1986 to 24th Mar. 1986 - 8%

24th Mar. 1986 to 24th Apr. 1986 - 711/16% 24th Apr. 1986 to 27th May 1986 - 61/6%

27th May 1986 to 27th June 1986 - 71/16% 27th June 1986 to 28th July 1986 - 71/16% Agent Bank: Morgan Guaranty Trust Company of New York

London

US. \$75,000,000

**Comerica Incorporated** 

Floating Rate Subordinated Capital Notes Due 1997

Interest Rate

Interest Period

Interest Amount per

U.S. \$50,000 Note due

29th September 1986

71/16% per annum

29th September 1986

27th June 1986

U.S. \$922.05

In accordance with the provisions of the Notes. notice is hereby given that interest payable on 28th, July, 1986 will amount to U.S.\$9,646-27 per



**TOTAL COMPAGNIE FRANÇAISE DES PÉTROLES IN 1985** 

Annual Shareholders' Meeting of June 20, 1986 The Ordinary General Shareholders' Meeting of TOTAL CFP, held on June 20, 1986 with Mr François-Xavier ORTOLI, Chairman presiding, approved the accounts for 1985. All the resolutions were addressed.

adopted.

In his address, the Chairman, without wishing to prejudge the consolidated results for the year as a whole, noted that as far as that first half was concerned, each flow and economic performance would show a substantial increase. These improved results will only be sufficient however to partially offset stockholding losses, he also noted that if prices were to remain at present levels the greater part of the stockholding losses for 1986 would have been recorded during the first half.

With repard to the second belt made to the second belt mad

With regard to the second half, results will clearly depend on variations in crude prices, which are as ever an unknown factor. Moreover, it may be hoped that the downstream sector will confirm the recent ratum to positive margins.

The Chairman went on to stress that the Group possessed the resources and experience not only to confront the oil "countershock" but also, if possible, to use it as a means for further development. It is with a view to increasing this capacity still further that the Company recently decided to effect a capital increase, the results of which have to date been very encouraging.

1985 in brief

Financial performance 1985 has seen further recovery despite stockholding losses as a result of the decline in the dollar. The consolidated financial statements at year-end show a cash flow of 7.9 billion francs and net income amounting to 1.4 billion francs.

Investments totalled 8 billion francs, of which 5 billion went to exploration, production and development and 1.7 billion to refining

The year saw:

 an increase in total liftings (49 million tons of oil; 5.7 billion m² of gas);

- development of the Group's International trading position; - encouraging results in exploration, notably in France; - the merging of the refining end marketing sectors in Frence;

- the change of name of COMPAGNIE FRANÇAISE DES PETROLES to TOTAL COMPAGNIE FRANÇAISE DES PETROLES. The General meeting extended the term of office of Mr René GRANIER de LILLIAC, Honorary President, as a director of the Company and eppointed Mr Jérôme MONOD a director.

Some figures for 1985 on the Group Oil (millions of tons) Gas (billions of m<sup>2</sup>) 49.0 5.7 - Financial data (co 173.0 56.0 117.0 7.9 1.4 8.0 Sales - in France - outside France Cesh flow Earnings Net Investments on the parent company Sales (in billions of francs) Net income (in billions of francs) Ovidend per share: 20F (+ tax credit of 10F). Date of dividend payment: June 27

The brochure "TOTAL CDMPAGNIE FRANCAISE DES PETROLES in 1985" can be obtained in English end French from Service Diffusion—5, rue Michel-Ange—75781 Paris Cedex 16—France.

US \$150,000,000 Guaranteed Floating Rate Notes Due 2004

Sanwa International Finance Limited

Guaranteed as to payment of Principal and Interest by The Sanwa Bank, Limited

NOTICE IS HEREBY GIVEN that pursuant to Condition 5(b) of the Notes Samwa International Finance Limited has elected to redeem on July 29, 1980 (the "Redemption Date") all of its outstanding Guaranteed Floating Rate Notes Duc 2004 (the "Notes") at a redemption price equal to the principal amount thereof plus interest accrued to the Redemption Date. On and after the Redemption Date, interest on the Notes will

The Notes should be presented and surrendered to the paying agents as shown on the Notes on the Redemption Date with all interest coupons maturing subsequent to said date.

Coupons due July 29, 1986 should be detached and presented for payment in the usual manner.

CITIBANCO ay Citibank, N.A. (CSSI Dept.) London, Fiscal Agent

### Banco Nacional do Desenvolvimento **Economico**

Credit Suisse First Boston Limited

Agent Bank

U.S.\$50,000,000 Floating Rate Notes 1989

Notice is hereby given pursuant to the Terms and Conditions of the Notes that for the three months from 27th June 1986 to 29th September 1986 the Notes will carry an interest rate of 73/16% per annum. On 29th September 1986 interest of U.S.\$18.77 will be due per U.S.\$1,000 Note and U.S.\$187.67 due per U.S.\$10,000 Note for Coupon No. 29.

> **EBC Amro Bank Limited** (Agent Bank)

27th June 1986.

### Oil project finance for Denison **Mines**

DENISON MINES.

Canadian energy, cement and potash producer, has refinanced a large portion of its deht and negotiated new loans to finance oil projects in Egypt and Italy. Term facilities of C\$186m (US\$134m) and an operating credit line of C\$75m have heen negotiated with two Canadian banks to replace and extend existing loans. Denison's long-term debt stood at C\$343m at the end of 1985, of which C\$127m felt due at the end of

International Finance Cor poration has provided a US\$60m limited recourse project loan for development of the Meleine oilfield in Egypt's westarn desert. IFC will take a 10 per cent equity interest in the project, due to be com-pleted later this year.

Mediobanca of Italy has provided LASon to help finance Denison's 10 per cent interest in the first phase of the Vega field off the coast of Sicily. Production is due to start in lete 1987, rising to 60,000 barrels a day in 1983.

The plunge in oll prices forced Denison to pass its quarterly dividend last month for the first time in 27 years. The company suffered a net loss of C3157m last year

# CREDITO ROMAGNOLO



12,494 Billion [-209%]

LOANS

**FUNDS** 

**4,021** Billion [+ 94%]

CASH FLOW

**205** Billion [+31.5%]

Extract from Audited Accounts 31st December, 1985 Share Capital and Reserves Deposits & C. 10,702 Nel profil

At the end of 1985 the Bank's shareholders numbered 27 433 and the Bank's personner 3,935 - Branches, 187, SOARD OF OTRECTORS: Charman - Gerardo Santon - Vary Charman - Raul Gardine MEAD OFFICE: General Manager - Mario Faithni - Deputs General Manager - Antonio Mazzanti

HE NO OF ENTERNATIONAL DEPARTMENT, Paolo Minima Representative Offices. NEW YORk: 450 Park Avenue — NOVES 1.2945 - 2900 Connaught Centre Affidated Banks, BANCA AGRICOLA CORRESCALE delle Repubblica di San Manno. Fecunici





### **General Electric Company**

has acquired



### RCA Corporation

We acted as financial adviser to General Electric Company.

Goldman Sachs International Corp.

Goldman Sachs

June 12, 1986



#### African Development Bank US\$100,000,000

Subordinated Floating Rate Notes 1996

in accordance with the terms and conditions of the Notes, notice is hereby givan, that for the interest period June 27, 1986 to December 27, 1986 the Notes will carry an interest rate of 71/16 percent per ennum for 185 days. The amount payable per US\$10,000 nominal emount will be US\$362.93.

27 June 1986 THE CHASE MANHATTAN BANK, N.A. LONDON, AGENT BANK





U.S. \$50,000,000

**H**apoalim International N.V.

**Gnaranteed Floating Rate Notes 1988** 

For the six mooths 30 June 1988 to 30 December 1986 the Notes will carry an interest rate of 71% per annum Coupon Velue U.S.\$368.54 Listed on The Stock Exchange, London **Good start** 

for **GMAC** 

ance Corporation has issued around \$100m of commercial

Morgan Stanley said yester

day. The new programme, which

for top corporate names.
Mr Michelson declined to

of US horrowings. He added

Germany applies hard and fast capital rules to note issuance facilities

### Bankers shrug off NIF weighting

BY DAVID LASCELLES, BANKING CORRESPONDENT, RECENTLY IN BERLIN

received a letter from their supervisory authority informing them that as from next Mondey they will have to assign a 50 their note issuance commitments. Germany thus becomes the latest of several industrial countries to apply hard and fast countries to apply hard and fast capital rules to this growing form of off-balance sheet busi-

The letter means that German banks will bave to underpin note issuance facilities (NIFs) with half the amount of capital required for a regular loan.
This is the same level as British banks, but higher than a number of other countries.

Switzerland: No specific weightings

UK: 50 per cent

UK: 50 per cent

UK: 50 per cent "We would frankly have pre-ferred 25 per cent," said a senior banker in Frankfurt, "but naturally we accept it."

"but naturally we accept it."

The letter was sent by the Bundesaufsichtsamt fur das Kreditwesen, the federal bank supervisory office which is located in a grand pre-war building beside a leafy canal in Berlin, sufficiently distant from Frankfurt to be out of bankers' way, but only an bour on the plane if need by Manfred According to Mr Manfred Schneider, the vice president in charge of international affairs at the office, the 50 per cent level was set less with a view to matching the UK than to fit in with West Germany's exist-

**Hambros Bank** 

New York firm

HAMBROS BANK is to expand

its corporate finance activities in the US by entering into an association with Shea, Paschall & Macchioni, a small New York

investment banking firm. The link will be through Hambro America, its US subsidiary. Mr Michael Sorkin, who beads

Hambros' corporate finance division, said the association would enhance the bank's presence on the North American

financial markets and give an additional dimension to Hambros corporate finance services. Shea, Paschall & Macchioni is

owned by three partners who previously worked in corporate

finance in large US institutions. The link is to be formalised later this year, and would probably culminate in Hambros

in link with

By Our Financial Staff

WEST GERMAN banks recently ing capital regulations. These companies since the middle of Bundesaufsichtsamt has now

RISK ASSET WEIGHTINGS REQUIRED BY CERTAIN COUNTRIES FOR NIF UNDERWRITING COMMITMENTS

France: 5 per cent for bank, 50 per cent for non-bank Germany: 50 per cent Italy: No specific weightings, though overall ratios apply

national harmonisation was also Japanese banks."

One reservable. German harbons and German harbons and German harbons are served.

Europaper programme GENERAL MOTORS Accept

ments is a sign both of German banks' increasing involvement in innovation, and of Frank-furt's emergence as a more internationally oriented financial centre since liberalisation began last year.

Not that the office has stood ready to ease its standard to make Frankfurt more attractive to foreigners: German banking regulation is as strict and ruleregulation is as strict and rulebound as any. According to Mr
Schneider, if there are disincentives in the German financial
services business, they have
more to do with the level of
taxation than regulation.
The latest amendment to the
Banking Lew last year was
expected to pose problems for
German banks because it
obliged them to consolidate the

Mr Michelson declined to reveal the selling rates for the paper, which mostly has a three to six-month maturity, but market estimates are of rates varying between London interbank bid rate for Eurodollar depends (Libid) and Libid less about 7 basis points, depending on the timing and maturity of issue. "It has met our expectations and we are pleased at this point," said Mr Jerome Van Orman, GMAC's director of US berrowings, He added One reason why German bankers ascribe this low level to their natural sankers have been rather passive in their ecceptance of this weighting is that they are not as heavily exposed to the NIF business. "We market as many of their foreign competitors.

In a study of banking innovation last April, the Bundesbank calculated that German banks bave set up dollar.

German bankers ascribe this the lanking Lew last year was expected to pose problems for German banks beause it obliged them to consolidate the extremely slim margins available in the NIF business. "We usually do it for the sake of our relationship with our customer rather than to make bank alculated that German banks accounts of their foreign subsidiaries—and this could have weakened their capital ratios. As it turns out, German banks have enjoyed such good times since then, largely due to the boom in the securities. that the rates achieved were comparable with those available in the US market, where GMAC is the largest single issuer with outstandings of more than \$36hn.

Mr Van Orman said GMAC was not interested in tapping Eurocommercial paper if it involved paying a premium of five to 10 basis points ever the rate in the US. So far this has not been the case, particularly with the longer-dated maturities which are harder to place in the US. This approach means that

times since then, largely due to the boom in the securities markets, that they have had no banks bave set up dollar-try's largest banks.

try's largest banks.

markets, that they have had no denominated back-up facilities

Heving established rules for trouble meeting the required totalling only \$340m for German note issuance facilities, the capital levels.

### NZ trustee savings bank merger

ELEVEN of New Zealand's 12 they could apply for the new trustee savings banks are to merge so they can compete more aggressively in the country's newly deregulated bank.

The merger proposal is a producing province, believes it makes a country and the country's newly designated banks.

iry's newly deregulated banking environment.

The combined assets of the 11
banks, which are spread
throughout New Zealand, will
be about NZ\$4bn (US\$2.1bn),
making the grouping second
only to the Bank of New Zealand which has assets of about

result of the freeing up of con-trols on the financial sector. Mr Terry Harris, who has been leading the merger discussions, said trustee savings banks must taka advantage of the deregula-tion and realise they are no longer confined to New Zealand but now have a global area

Full details of the merger

As national organisations, the trustee savings banks will lose their government guarantee savings Bank said it that the advantages of being would not join the new group.

The trustee savings banks with the advantages of being with the government for more than a year. They wanted the setting up of an electronic funds transfer point-of-sale system.

Many bankers believe that the merger into a centralised national body is the only chance special regulations under which weigh the disadvantages. than a year. They wanted the special regulations under which they operate to be changed so Each of the 12 trustee sa

has enough resources to main-tain its independence, and it will stay outside the new group.

The Teranaki TSB is the richest of the trustee savings banks. During the past two years the 12, which are autonomons and independent, have joined forces in special areas

New Zealand this year, will out-weigh the disadvantages.

Each of the 12 trustee savings lated banking scene,

cial paper and certificates of deposit programme in the Euromarkets. It has appointed Citicorp, Morgan Stanley, Salomon national Bank to act as dealers in the programme which will be used to raise.

programme are Credit Suisse First Boston, Merrill Lynch and Shearson Lehman Brothers International.

AUSTRIA'S Genossen-schaftliche Zentralbank (GZB), which acts as a central

financing agency for the country's co-operative banks, is to launch a \$200m commer-

announced that it is arrang-ing a \$200m facility for Monte del Paschi di Siena, the Italian bank, under which dealers will bid for deposits to be evidenced by certificates

of deposit.

The five dealers under the new programme are Chemical Bank, Morgan Guaranty, Shearson Lehman Brothers, UBS (Securities) and S. G. Warburg.

American General deal withdrawn

By Our Euromarkets Staff

A \$250m Eurobond deal for American General, the US diversified insurance com-pany, was withdrawn yester-day after more than a week of trading in the grey market, as pricing negotiations broke down between the company and lead-manager Credit Sulme First Boston.

Sulsae First Bosten.
The 20-year bond was to have been convertible into American General's equity, and disagreement hinged on the price at which investors were to have been able to buy shares on conversion of their bonds.

The target price for American General was \$52. When the deal was announced on June 17, this represented a 27 per cent premium over the \$40f share price. By Wednesday night, however, the shares had traded down to \$30f, making \$52 look too steep, in Credit Suisse First

American General said it was unwilling to abandon its target price because it be-lieves its shares—which stand lieves its shares—which stand on a prospective price/earnings multiple of 11 against a US average for the insurance sector of 14, are undervalued.

Credit Suisse had told them that to make acceptable the \$52 "strike" price the bond's coupon would have to have been higher than 61 per cent, the upper indicated level. American General found this unacceptable.

unacceptable.

Morgan Stanley, Salemon Brothers International, SBCI and Goldman Sachs were also managers of the deal. There was speculation that one of these houses; and not Credit Suisse First Boston, had first suggested the bond's terms to American General.

## Tightly priced FRNs test recent strong demand

was tested yesterday when Dealers said it was bid in the two issuers, Belgium and market as low as 99.88 yester-Alliance and Leicester, the UK day afternoon. building society, came to the market with tightly-priced

paper in the Euromarkets since its new programme was activated on Tuesday, Mr Rawie Michelson of dealers Both deals had been bid for competitively by issuing houses. Speculation bad been strong that Shearson Lehman had a mandate from Belgium, though Shearson said Belgium finally decided only yesterday morning. In the event, Belgium was able to obtain \$400m of ten-year debt and London interbank bid rate (Libid) flat. At this level. SMAC expects to build up to around \$2bn or more, is being closely watched in the market as bankers believe its size will make a benchmark issue rate (Libid) flat. At this level, it was able to achieve an attractive swap on part of the pro-ceeds into floating rate D.Mark

funds.
Priced at 100.20, the bond bas fees of ten basis points. It can be called after five years et par. Shearson Lehman conceded Shearson Lehman conceded that the terms were tight but thought the bond would be sustained by very strong demand for FRNs by sovereign issues. Additionally, it said the management group had undertaken to maintain a secondary market in the bond. Other recent sovereign deals, such as a bond for Ireland, have become illimid at the secondary market.

lliquid at the secondary market

harder to place in the US.

This approach means that the pace at which the GMAC Eurocommercial paper programme grows will provide a good indication of the relative competitiveness of the Euromarket compared with the US domestic market.

The Euromarket is used to working off a Libid base. This can affect the trend of Eurocommercial paper rates relative to their US counterparts, aithough arbitrage possibilities have already begun to bring the two markets closer together.

Other dealers in the GMAC programme are Credit Suisse

THE RECENT strong density bourg.

for floating rate notes (FRNs) bourg.

Dealers said it was bid in the

In the fixed-rate sector, prices tended slightly lower. Svenska International launched Svenska International launched a \$100m bond for its parent, the competitively by issuing houses, speculation bad been strong hat Shearson Lehman had e nandate from Belgium, though hearson said Belgium finally ecided only yesterday morning.

Unusually, there was a new £50m deal in the sterling fixed-rate market, for PHH Group, the US transport company, one of the first issuers of sterling commercial paper. The seven-year bond, led by S. G. Warbing,

year bond, led by S. G. Wardia g, pays 9\(\frac{1}{2}\) per cent coupons and is priced at par.

The day produced a couple of equity warrants issues for Japanese pharmeceutical companies. Both were of five-year maturities. Nikko Securities launched a \$35m deal for Hisamitsu Pharmaceutical with an indicated coupon of 3 per cent indicated coupon of 3 per cent and price of par. Pricing will take place on July 2. The shares closed in Tokyo at Y916.

closed in Tokyo at Y916.

Yamaichi International handled the \$40m European trancha, and Dlawa Singapore the Asian tranche, of a \$50m issue for Dainippon Pharam-ceutical. Pricing will be on July 3, but the coupon should be set at 2½ and price at par. The share price yesterday was Y2,946.

Some weeks after such an issue has theoretically been possible, after Swiss National Bank relaxations, the Swiss market saw the first short-dated public bond. Bank Gutzwiller, Kurz, Bungener, with Credit Lyonnais Finanz, led the deal for C. B. Pak the Canadian

THE RECENT strong demand the deal It is listed in Luxem- plastics and glass company. The plastics and glass company. The issue amount was SFr 85m. Final terms will be fixed on July 10, but the coupon was indicated at 51 per cent, maturity at five years, and price

Millica Ca

et par. Swiss bankers bave been chewing over the problem of what commissions to charge on what commissions to charge on short-dated bonds since they became feasible. Bank Gutz-willer set them at 1½. For a five-year placement. C. B. Pak would beve paid 1½ per cent

In the D-Mark sector, trading In the 1-Mark sector, trading was quiet although prices edged up fractionally. Mediobanca, the Italian bank, cama to the market with a DM 150m deal led by BHF Bank. The five-year bond has a coupon of 2 per cent and is priced at par. The bond carries warrants into bond carries warrants into shares of SIP, the Italian telephone entity.

Istituto Bancario San Paulo priced a recent lire Eurobond for AT&T, the US telecommunications company. The L100bn seven-year bond, with a coupon of 104 per cent, was priced at 994, as had been indicated.

Diawa Europe reduced the Diawa Europe reduced the coupon on a recent equity-warrants bond for Naigal from the indicated level. Expected to be set during pricing yesterday at 3 per cent. It was reduced to 2f per cent. The exercise price was set at Y549 per sbare, compared with yesterday's close of Y585. The foreign exchange rate was set at Y187 2 to the dollar illiquid at the secondary market stage.

Initial trading saw the bond bid at 100.20, the issua price.

Bolder still, dealers thought, was the pricing on a £300m dealers thought offer at 100.20, the eight-year bond, priced at 100.10, pays a coupon of \$5 basis points over three-mouth London interbank offered rate. Fees fotal 17½ basis points. This gave an all-dicaster said was inside the tradicaler said was inside the trading society FRNs except the oldest Halifar issue.

Morgan Guaranty led the deal, although other issues for AllEance and Leicester bave been led by S. G. Warburg, Morgan Guaranty said that sterling FRNs now attract significant foreign interest, as dollar FRNs have become expensive, and this should sustain tranche, of a \$500m issue has intended to 250m interest, as dollar FRNs have become expensive, and this should sustain tranche, of a \$500m issue has intended the bean issue for Dainippon Pharam-ceutially be on July 3, bnt the coupon should be set 2½ per cent. The exercise price was set at Y54 per share, comprice yesterday was Y2.940.

Some weeks after such an possible, after Swiss National Bank relaxations, the Swiss National Bank relaxations, the Swiss Points with Credit Lyonnais. The coupon was set at 94 per cent, if was reduced to 2½ per cent. The exercise price was set at Y560 per share, comprice yesterday was Y2.940.

Some weeks after such an possible, after Swiss National Bank relaxations, the Swiss Points with Credit Lyonnais from year bond for Credit Lyonnais. The coupon was set at Y167.2 to the dollar. The coupon should be set 2½ per cent. The exercise price was set at Y560 per share, comprice yesterday was Y2.940.

Some weeks after such an possible, after Swiss National Bank relaxations, the Swiss Points. The foreign exchange rate was set at Y167.2 to the dollar. The coupon was set at Y167.2 to the dollar. The coupon was set at Y167.2 to the dollar. The coupon was set at Y167.2 to the dollar. The coupon was set at Y167.2 to the dollar. The coupon was set at Y167.2 to the dollar. The co

#### FT INTERNATIONAL BOND SERVICE

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### INTL. COMPANIES & FINANCE

Canute James on a programme to limit public sector spending

## Jamaica seeks to fatten its assets

has embarked on a programme to bring 21 leading state-owned companies under strict financial management. The aim is to reduce their dependence on public funds by making them profitable, or, at the very least, reducing their losses.

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In the longer term, the Government wants to strengthen and fatten the public companies to make them more attractive prospects for eventual divest-ment to local and foreign in-

Mr Edward Seaga, the Prime Minister and Finance Minister, has pursued a policy of reducing the government's involvement in the economy by offering state-owned enterprises for sale or owned enterprises for sale or lease to the private sector. Already several US and local companies have lassed state-owned hotels: Tate and Lyle, the leading British sugar company, has taken over the management of the state sugar sector under a ten year contract, while the state-owned National Company. state-owned National Commer-cial Bank, the island's largest, which was created from the local operations of Barclays Bank, is to be divested later this

year.
The 21 public companies which are now the subject of finencial scrutiny, include the Jamaica Broadcasting Corpora-tion, which operates the Island's Interceal scrutiny, include the companies have improved over Jamaica. Broadcasting Corporation the past five years, there is still tion, which operates the island's cause for government concern only television channel and one of its two radio stations, the In 1980, for example, after Petroleum Corporation of financing their costs, paying Jamaica, which operates an oil taxes, dividends and servicing refinery, the local telephone debts, the companies contributed company, and Air Jamaica.

"For years a number of pobcastial expenditure — e contri-

company, and Air Jamaica.

"For years a number of poblic sector entities have been e drain on the central government budget, requiring support to subadise operations, cover subsidise operations, cover losses, repay debt or finance development projects," said Mr Seaga when announcing plans for tighter management of the

The combined expenditure for all 21 companies will this year reach J\$6.6bn (US\$1.2bo) which



Prime Minister Edward Seagn: offering state entities to private sector.

Is more than the Government's budgeted expenditure on them for the year.

Mr Seaga said that although the finances of the 21 selected being met from loans and companies have improved over the part from loans and government transfers.

capital expenditure - e contri-

capital expenditure — e contri-bution of 16 per cent. This year the companies are expected to provide J\$533m, or 45 per cent, of their capital development projects. Five of the companies last year recorded operating deficits totalling J\$74.8m. This year only two of the five are expected to be in loss and to show a

year recorded operating deficits company is projecting e J\$40.9m totalling J\$74.8m. This year surplus after a J\$26m deficit only two of the five are expected tast year.

The Government is planning to the down to one-third of its surplus after a J\$26m deficit equity in the NCB, and the analysts say the possible offer to be in loss and to show a combined deficit of J\$35.5m.

The Government is planning to the down to one-third of its surplus after a J\$26m deficit on the NCB, and the analysts say the possible offer to be in loss and to show a combined deficit of J\$35.5m.

Out of the companies' expen
to seek to privatise the com-

of views of Mr Seaga's pro-business administration, and those of financial institution "This is all part of earlier negotiations with the World Bank, which was given a commitment that most of these public entitles would eventually be divested," explained Dr Paul Chen-Young, one of

Jamaica's leading stockbrokers.

The interest of local and foreign investors in accepting government offers for state entities has been reflected not only in the leasing, management contracting and outright pur chasing of hotels, sugar milland state farms, but also in air-line catering operations and a food processing plant.

Yet the Government has had

to reverse its policy in two areas sensitive to the economy. Since taking office, the Government has bought a local oil refinery from Exxon of the US after the company threatened to close it —a move which would have hrought immediate chaos to local commerce and industry.

The closure of a bauxite refinery last year by Aluminum Company of America (Alcoa) led the Government to set up a state company to lease and re-open the facility to avoid a loss of urgently needed foreign exchange from the most important sector of the year. foreign exchange from the most important sector of the weak economy. Alcoa is negotiating to return to Jamaica and run the plant, but Mr Seaga is asking for the Government to have a 51 per cent stake in the facility as one condition of the US company's return.

The NCB's net worth was put at 7867.2m at the end of 1985, and stock market analysts say the institution could be worth J\$200m when listed on the stock exchange. It is on the basis of the promise of tighter management that the Government has projected improvements this year
for several of the companies
involved. The Jamaica Broadcasting Corporation, for
example, which last year
recorded a deficit of J\$5.7m, is
this wear expected to achieve as

recorded a deficit of J\$5.7m, is this year expected to achieve a J\$2.8m surplus.

The Petroleum Corporation expects to see its J\$18.8m deficit of last year reduced to J\$4.9m this year, while the telephone company is projecting e J\$40.9m surplus after a J\$28m deficit last year.

The efforts to improve the stock exchange.

The Government is planning



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**Sterling Commercial Paper Programme** 

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> Issuing and Paying Agent **Barclays Bank PLC**

> > June. 1986

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Girozentrale und Bank der österreichischen Sparkassen

Aktiengesellschaft Floating Rate Subordinated Notes Due 1991

Interest Rate

Interest Period

27th June 1986 29th September 1986

73/16% per annum

Interest Amount per U.S. \$1,000 Note due 29th September 1986

U.S. \$18.77

Credit Suisse First Boston Limited

U.S. \$250,000,000



Subordinated Floating Rate Notes Due 1999

71/16% per ennum Interest Rate

Interest Period

27th June 1986 29th December 1986

Interest Amount per U.S. \$10,000 Note due 29th December 1986

U.S. \$362.93

Credit Suisse First Boston Limited

### Stora to build SKr 1.3bn newsprint plant

Sweden's largest forest products group, is to build a newsprint machine at a .cost of some SKr 1.3bn capacity of 215,000 tonues a year. Construction is expected to begin later this. year and should be completed during 1988.

The machine will increase stora's total newsprint capacity to around 615,000 tonnes a year incloding 100,000 tonnes of mill to 330,000 tonnes a year of improved tonnes a year of improved 185,000 tonnes.

The capacity of Sweden's newsprint producers—Sweden newsprint tonnes a year of improved 185,000 tonnes.

Construction of the plant is stora to close three older newsprint atternation of the plant is stora to close three older newsprint atternation of the plant is stora to close three older newsprint atternation of the plant is storated and should exceed 2m tonnes are newsprint machine tin a newsprin stora's total newsprint capacity to around 615,000 tonnes a year incloding 100,000 tonnes of mill to 330,000 tonnes a year magazine paper and 135,000 tonnes. It will also allow Stora to close three older newsprint. It will also allow Stora to close three older newsprint machines with a total capacity of some 50,000 tonnes. The Swedish authorities, It will a production of 1,6m a current level of some to close three older newsprint after capacity of some 50,000 tonnes. The Swedish authorities, It will a production of 1,6m tonnes in 1985.

From cradle to Gravesend it's our responsibility

Mighty river it may be once it gathers strength, but the source of the River Thames is modest indeed. No more than a spring in a Cotswold field three miles south west of Cirencester.

Yet from there right to the river's mouth beyond Gravesend, Tharnes Water is responsible for a vast range of services in an area twenty times the size of London.

Foremost of these, is providing water for 11.5 million people. This involves the treating and pumping of up to 1,000 million gallons every day. The water comes from the Thames itself plus hundreds of wells and boreholes in the area, then is stored in 33 main reservoirs. Sewage treatment and disposal are provided on a similarly large scale.

There are 44 locks and weirs to look after and 136 miles of river between Cricklade and Teddington to keep navigable.

Then there are the other services, flood protection and pollution control, conservation and recreation amenities. There are the new, recently inherited responsibilities too, including

operating the Thames Barrier and its visitors centre plus the management of London's main passenger piers.

Now and in the future everyone will benefit from our running water.

Thames Water, Nugent House, Vastern Road. Reading RG1 8DB.

### Beeting around the sugar bush

CHAIN-SMOKING through yesterday's press con-ference at the Howard Hotel. London, Mr Raul Gardini appeared the epitome of innocent charm and courtesy.
For almost an hour, Mr.
Gardini, the 52-year-old chaitman of Ferruzzi, the giant Italian food and agricultural concern, offered his audicace a hazy overview of his plans for the European sugar industry.

In that short space of time, he managed to allude to the Marshall Plan, world famine, the Common Agricultural Policy, EEG food surpluses and a co-ordinated programme in Europe for alternative opplica-tions of sugar in the chemical

industry.

The one subject which Mr
Gardini did not tackle was
whether he definitely intended
to launch a takeover bid for
S & W Berisford, the commodity trading group, in which
Ferruzi has a 23.7 per cent

about his designs on Berisford's wholly-owned subsidiary, British Sugar, the UK beet monopoly.

Over the past fortnight there has been widspread speculation in the press and the stock market that Ferruzi would launch a formal offer for Barisford.

This speculation has not been dampened by either Ferruzi, its adviser Barclays Merchant Bank, or its public relations team, Good Relations.

Ferruzzi executives: Mr Raul Gardini, the chairman (centre) with Mr Renato Picco on his left and Mr Mario Gabbrielli

house Japhet, merchant bank string and Mergers Commission.

Privately, both Charterhouse found that their offers were re-

a formal bid.

Privately, both Charterhouse and Berisford argue that the uncertainty has created a false market in the group's shares and made it more difficult to do a deal with the Italians.

In fact, Ferruzzi's failure to lay its cards on the table is in keeping with the elaborate poker game which has developed over the future of Berisford and British Sugar.

Both Tate and Hillsdown found that their offers were referred to the Monopolies Commission. Hillsdown subsequently withdrew and back came Ferruzzi, snapping up Hillsdown's 14.7 per cent stake and re-declaring its interest in taking control of British Sugar. So why have both Tate and Ferruzzi been so reluctant to launch a straightforward bid and settle the matter in a con-

ford and British Sugar.

It began last February when Ferruzzi let it be known it was interested in acquiring British

interested in acquiring British Sugar, unencumbered by the result was a sharp spurt upwards in Berisford's share price yesterday morning to 239p, valuing the commodity group at #A50m. Only later, when it was clear that the Italians were once again staying their hand, did the price fall back to 232p.

The result was a sharp spurt upwards in Berisford's share price yesterday morning to and bard commodities, property and financial services.

Hillsdown Holdings, the acquisitive UK food and furnishing manufacturer, then amounced an all-share offer for Berisford worth #486m. And Ferruzzi.

Berisford's share price has not only left stock market speculators baffled and angry. Gharter-

taking control of British Sugar.
So why have both Tate and
Ferruzzi been so reluctant to
launch a straightforward bid
and settle the matter in a conventional City shoot-out?
The answer lies in the political nature of the sugar industry,
both in the UK and the rest of
Europe.

#### raises bid for Aitken would boost its UK market share to more than 90 per cent if it gained control of British. to £89m Sugar. Tate and Ferruzzi also know

that their designs are bound to arouse suspicion, from the consuming public, from the sugar farmers in the UK and Europe, and above all from the

Europe, and above all from the competition watchdogs in London (the Office of Fair Trading) and Brussels (the European Commission's DG4).

Hence the (enforced) willingness of both companies to have their intended bids scrutinised by the Monopolies and Mergers Commission, without having to launch a costly underwritten

launch a costly underwritten

at pointed out that the mere declaration of an intent to hid was enough to warrant a reference, so Ferruzzi is almost certain to find itself the subject of a full MMC inquiry lasting et least six months.

Tate and Ferruzzi know they read all the stress residuals to the stress residuals and the stress residuals are six months.

need all the hours available to put their case to the politicians and the public for the enormous

one-off boost to their respective market shares, if they can get

control of British Sugar.

The clean-cut, smiling Mr
Gardini is going to be a familiar
face in Britain over the next
few months.

US £21m bid

for North Sea

Texas Gas Exploration, a subsidiary of CSX Corporation, the large US transport and natural resources group, yesterday launched a £20.5m agreed cash bid for Industrial Sectland

Energy, a USM-quoted oil and

oil explorer

**Tranwood** 

Transport Group, the "shell" company headed by Mr Nick Oppenheim, yesterday increased its all-share tabeover hid for Aitken Hume, the group by 29m to 289.1m. Transpood followed up the increase in its offer with an

announcement that it had raised its effective holding in Aitken from 10 to 36.81 per cent following additional acceptances of its offer from

acceptances of its effer from a number of institutions.

The revised hid comprises 10 Tranwood shares for every Aitken share, as increase of one Tranwood share on the original effer. With Tranwood's shares unchanged at 191p yesterday the offer is worth 195p for each Aitken share. Aitken's shares fell 1p yesterday to 166p.

Mr Oppenheim said most of the additional acceptances had come from clients of stockbrokers Laing & Cruickshank, Most significant among them was Mutual Shares Corporation, a US matual fund group which had a 12 per cent stake in Aitken.

Mutual's acceptance "totally formal offer.

In Tate's case, this has happened. The hedged offer has therefore lapsed. But Ferruzzi, so far, has had no such luck.

Mr Jonathan Scott, of Barclays Da Zoete Wedd, said yesterday that he had encountered extraordinary difficulties in persuading British civil servants to refer Ferruzzi's intended offer to the Monopolies Commission. to refer Ferruzzi's intended offer to the Monopolies Commission.

The Office of Fair Trading retorted yesterday that it was still examining Ferruzzi's proposals and was likely to make a recommendation shortly to the Secretary of State for Trade and Industry, Mr Paul Channon. It pointed out that the mere decision of an intent to hid.

cent stake in Aitken.

Mutual's acceptance "totally defused" the argument put forward by Aitken that a change of ownership of National Securides & Research Corporation (NSR), Aitken's US fund management group, could lead to NSR losing valuable mutual fund management contracts, Mr Oppenhelm claimed.

Mutual, which knew the US fund market, would not have accepted if it thought this was a real objection, Mr Oppenhelm said.

Oppenheim said. Aitken had earlier warned

its shareholders that NSR might become entirely worth-less to Tranwood if the bid succeeded and it lost its man-

agement contracts.

"The band wagon has started rolling," Mr Oppenheim said. "We are 23 days heim said. "We are 23 days into an all-paper offer and we already have nearly 37 per cent of the shares."

Transwood has vertiled acceptances from the owners of 31.74 per cent of Aithen's equity, acceptances from 3.85 per cent which have yet to be registered and it owns a further 1.27 wer cent. further 1.22 per cent.

#### US funds raise Lonrho stakes

New York-based mutual funds, which have been building up a stake in Lourho, the trading conglomerate headed by Mr Tiny Rewland, have increased their combined holding to 23.23m shares, some 7.6 per cent of the some 7.6 per cent of the equity, from about 20.75m shares.

Mutual Shares Corporation has acquired a further 1.5m shares, lifting its holding to 15.49m, and the Mutual Qualified Income Fund had raised its stake by 1m shares to 7.15m. The Mutual Beacon Fund holds 475.000 shares, the Heine family fund 110,000 and Michael Price and family and Michael Price and family 17,600.

# Dixons, through its stockbrokers Cazenove, bought 2.7m no point in buying shares which Woelworth Holdings shares yesterday in a sudden reversal of its recent policy which had been to let the Woolworth share price drift lower. These purchases which took the Dixons stake in Woolworth to 9.3m shares or 5.2 per cent of its equity came four trading days before the climax of Dixons' £1.8bn takeover bid for said. of its equity came four trading days before the climax of Dixons' £1.8bn takeover bid for Woolworth,

Woolworth raid lifts

Dixons stake to 5.2%

Dixons owned 5.2m Woolworth shares when it made its offer in early April and before yesterday's purchases had bought only 1.4m extra shares since launching its bid. Yesterday's purchases were made at Mr Gerald Corbett Dixons' or Gerain Coroett, Disons corporate finance director, said the aim earlier in the week had been to let Woolworth share-belders realise how low their shares might fall if the Dixons bid failed. Dixons believe Wool-760p.
With Dirons' shares 2p firmer
transport its all-paper

Dee shareholders fail

pany's third in 19 months, was designed to help finance the acquisition by Dee of the Fine Fare and Shoppers Paradise supermarket chains from Associated British Foods.

When Dee announced that it wanted to issue 1475m new shares and offer only 25 percent of them to existing share-holders there was an instant outcry from some of its major institutional shareholders. It was agreed to push the figure np to 75 per cent.

The fact that so little interest acquisition by Dee of the Shareholders have applied for \$7.4m out of the place with institutions on June 4. That means the new shareholders will only have to give up 25.4 per cent of their holdings rather than the maximum possible 75 per cent.

Mr David Verey, deputy chief executive of Lazard Brothers, the merchant bank advising Dee on the placing, said: "It appears that the level of clawback was

to take up full clawback

SHAREHOLDERS in Dec Corporation have taken up only 25 per cent of the 75 per cent clawback option from the controversial £350m vendor placing carlier this month.

The vendor placing, the company's third in 19 months, was designed to help finance the acquisition by Dee of the Fine Fare, and Shoppers Paradise supermarket chains from Associated British Foods.

When Dee announced that it means the new shareholders

has been shown by Dee shareholders with new about to those we thought would be most suit-wholders with new shareholders. They say that it is cheaper and quicker and does not discriminate seriously shareholders to have first bite at a new issue) that's up to the institutions and the companies they invest in to work out."

Mr Verey did add however that the extension of clawback to cover 110.6m of the shares issued had caused Dee to incur

worth could go as low as 550p to 600p if the bid lapses. The decision to suddenly start at 338p yesterday its all-paper offer is worth 8215p for each Woolworth share and its com-bined share and cash offer is buying shares was intended to build up a momentum to persuade shareholders to accept in the closing days of the 12-week 13p to 763p yesterday.

Ward White makes good start

#### **McKechnie** fires final defence salvo By David Goodhart

issued had caused Dee to incur another £1m in underwriting

costs.

It was also announced yesterday by the Office of Fair Trading that the £686m acquisition of the Fine Fare Group would not be referred to the Monopolies and Mergers Commission.

McKechnie Brothers yester-McKechnie Brothers yester-day fired its final defensive salvo against the £160m bid from Evered Holdings pointing ont that next year's results will benefit from major new contracts with Austin Rover, Duracell, Ford, IBM, Marks and Spencer, Polaroid and Sunblest,

Its final defence document stressed several other factors which the company believes will produce a major spurt of growth including the productivity improvement following its £8m investment in the metals operation, the full year effects. of the reorganisation of the chemicals business and a full year's trading from Plastic Box. Dr Jim Butler, chairman of McKechnie, repeated his belief that the Evered share price was based on an underlying business of low quality and had wilted by more than 50p in the past two months.

He also stressed that almost half of McKechnie's 1986 earnings would come from plastic and consumer goods. The Evered cash offer valuation of

THE CURRENT year at Ward White Group, footwear manufacturer, had got off to a good start with sales running well last year of Owen Owen, Mr chairman, told the annual meeting. He said that he confidently expected another year of strong performance and solid progress.

The group's shares closed yesterday up 16p to 326p.

Worldwide sales for the 1986- and profits at Halfords had 1987, year-were projected to be increased.

#### Stonehill falls to £38,000

PERSISTENTLY difficult trading conditions have been blamed for a fall in pre-tax profits at Stonehill Heidings, furniture maker, from £1.04m to £38,000 in the year to April to 1986.

6 1986.
However, Mr P. Steinberg, chairman, believed future results would justify the decision to maintain the final payment at 3p for an unchanged total payment of 6p.

Turnover was £17.56m (£18.61m) and trading profit came out at £382,000 (£1.34m).

£209,000 were waived this time. | management business.

There were two main reasons for the Company's disappointing results during the year ended March, 1986. Difficult trading conditions led to lower profits in two publishing centres, and increased costs were accepted by investing in long-term enterprises which do not offer short-term returns. These are the development of free newspapers and cable television at Croydon.

In combination, these factors produced a

Group pre-tax current cost accounting loss of £166,000, and a historical profit of £1,303,000 - 53 per cent reduction on last year's £2,769,000.

Lower profit in the Portsmouth and Sunderland centres coincided with vigorous development in free newspapers. To consolidate and safeguard the Company's publishing bases by developing its own free newspapers has meant the conversion of some paid-for titles to free, with a large increase in distribution costs which has not at first been

istribution costs which has not, at first, been

fully supported by revenue.

Last year I said I would be disappointed if the Company's total profit did not again improve this year. That especiation of improved profit was not fulfilled. In retrospect the reasons can be seen, it is always difficult to forecast annual profits from a glimpse of the new financial year; too optimistic e view was taken of the results at Croydon; and the number of free newspapers launched by the Company in Croydon was substantially increased.

In June, 1985, there was a bonus issue of one 10.5 per cent cumulative preference share for each eight ordinary shares held and the dividend thereon is equivalent to 1.31p per ordinary share in a full year.

It is ironic to report so poor a profit in the year that the Company made a dramatic breakthrough in the introduction of single keyboarding. This event was recently referred to by a commentator on the whole, post-Wapping newspaper revolution as "perhaps the greatest breakthrough".

This success was achieved when Portsmouth management made an agreement with staff, the National Graphical Association, and the

National Union of Journalists, for the introduction of single keyboarding there. This was the forerunner of several agreements in

I trust that orderly agreements made in the provincial Press will herald an approach to industrial relations based less on brinkmanship

and more on co-operation. Such co-operation is desperately needed to permit the industry to meet, more efficiently than its competitors, the ever more pressing demands of customers.

With local agreements for the proper use of

with local agreements for the proper use of technology, and in the face of more competition, some companies are questioning the desirability of national agreements. It is increasingly necessary to match higher wages to higher efficiency. That can be done effectively only at local level.

A campaign has been started - styled "Putting the Customer First" - to Improve at every level

Proper Use of Technology:

### Edington's deposit licence

Edington, the newly-created

## Mr Angus Scrimgeour, the

Even more efforts are being made to increase newspaper sales. Nationally, it is important that their success be measured not by the

number of copies sold but by the number of people who read them - and for how long. In

people who read them - and for how long. In the same way the success of television is measured not by sets but by viewers. I am glad to say that this change of measure is gaining support-rapidly. It will also differentiate better between paid-for and free newspapers because there is much evidence that paid-fors are considerably better read than

refer must be an effective national organisation to promote and sell the provincial Press to advertisers. While the Regional Newspaper Advertising Bureau, which represents part of the provincial Press, does a good job, it is hampered by lack of funds and less than full support from the provincial

As reported last year, an Investment of £500,000 has been made in the business of providing cable television services in the Borough of Croydon. The first phase of construction, making cable available to 15,000 homes, started in June, 1985. The proportion of houses taking up the service offered to them is regarded as promising. With total construction planned to take three years, the emterprise will not be trading profitably before 1988.

The Company got back all its money invested in News (UK) Ltd., publishers of Today; as part of the arrangement which brought in new capital from Lourbo. There were two main reasons for withdrawing. First, this Company now has better uses for its funds. Secondly, ofter Wapping and Eddy Shah's undeniable achievements, competition in the national newspaper industry has been present

achievements, competition in the national newspaper industry has been greatly intensified. To be successful, Today will now need to develop its editorial and marketing policies and introduce highly professional

The Good News Production Company Ltd. has brook news Production Company Ltd.
has brook ninto the market producing
television advertising commercials and
fashionable pop videos. Ogilvy and Mather
Ltd. and C.B.S. United Kingdom Ltd. were

norable clients in these respective sectors. This company also produced an outstanding film

for the Pinantial Times.

While remaining as Executive Chairman, I have relinquished my position as Chief Executive to Mr. Charles Brims, who has joined the Company in that capacity, with considerable managerial experience, especially in marketing. I look forward with the greatest pleasure to working with him. I know that he will achieve considerable success in and for the

for the Financial Times.

Company.

There must be an effective national

Subsidiary Interests:

that he expective, said yesterday that he expects to build Edington's balance sheet up to £30m to £40m of loans within five years. The majority of the revenues, however, would come

He said it was important for a financial institution to be able both to offer advice and to deliver the finance itself, rather

(£18.61m) and trading profit came out at £382,000 (£1.34m). The pre-tax figure was struck after depreciation of £344,000 (£303,000).

After tax of £2,000 (£422,000) attributable profits came out at £36,000 (£619,000). Dividend payments came to £211,000 (£619,000) but the rights to the securities and portfolio transfer of £210,000 (£619,000). Dividend payments came to £211,000 (£619,000). Dividend p

the US **Development Costs Reduced Profits** and in every way, the service that the Company offers its customers. As production methods can now be expected to operate to a very high standard, the Company will concentrate more directly on developing its services to customers. I look forward to the Company being as successful at this as it has undoubtedly been in pioneering production methods.

### IN BRIEF

KEWILL SYSTEMS, computer software, which was launched on the USM last September, off the USM last Septement, as property dealing. It increased its pre-tax profits by dend is maintained at 24 per cent from £504,000 to £626,000. Turnover was up from £3.3m to £4.23m, an increase of 28 per cent. The group is paying an initial dividend of £1.2m to £2.11m in £2.21m in £2.21m in £2.21m in £3.21m in £3

1986, but there was an increased loss of £2.45m (£190,000) from its property dealing. The dividend is maintained at 6p with

\$626,000. Turnover was up from \$23 m to \$4.25 m, an increase of 28 per cent. The group is paying an initial dividend of 1.2p.

CENTROVINCIAL ESTATES over the interim dividend is unment properties from \$2.9 m to changed at 2.52p, and earnings are shown up at 10p (7.1p).

DIVIDENDS ANNOUNCED

		•	Daro .	COLLE	TUCAL	· TOTAL
1		urrent		conding	for	last
l	Pa	yment	payment	div.	year.	year
П	Bankers' Inv2nd int	0.6.	Aug 29	0.5		2.6
	BPB Inds	5.5	Aug 15		9	7.7
П	BTP	· †3		2.3	4.5	3.5
	Burtonwood Brewery .	18.3		7.5	10.8	10
	Centrovincial Ests	3	Oct 6	3.	6	6
	Chemring Groupint	· †6	July 4	5	_	13.5
Ш	CH Industrials	1.9	Sept 11	1.66	2.4	2.11
	Clyde Blowersint	0.83		0.83		6.82
H	Courts	2.95	<b>-</b>	2.95	4.7	4.7
	CPI Heldingsint	1	<b>-</b>	1		2
П	Crest Nichelsenint		Oct 6	1.5	·	4.15
Ш	Hargreaves Group	3.1	Aug 4	2.5	5.5	4.5
	James Latham	9.25	Sept 10			13.25
Į.	Kewill Systems	11.2	Sept 3		1.2	
1	Ocean Wilsons				3.75	
Ш	Speyhawkint					
В	Spiceint	10.02				
ı	Stonehill Hides			<b>Q</b> .	<b>6</b>	<b>6</b> -
	Walker & Staff			1.7	2	1.7
	Timidenda abases in		-ar chara			
1	Dividends shown in	Dence	per kuare	except	wacte	OTTICE MINE
	stated. * Equivalent af	er aug	MINE TOL S	CLID 12	ue. T	AT CAPITAL
	increased by rights at	od/or	<b>acdmatgon</b>	15500	. TU	SEL STOCK.
ш						

### **Guinness Export to axe** 100 jobs

ANOTHER 100 jobs are to be offered either transfers or reshed in the Greater Merseyside dundancy terms. Region, by Guinness Export. The company will close by October its administrative office

Runcorn and the remainder to troduction of a four-da London. The employees will be to prevent further cuts.

Hattersley Newman Hender, the industrial valve manufacturers are to shed 51 of its 575 workforce at Ormskirk because in Liverpool, its final link with of increasing competition in the he city.

Some jobs will be switched to pany will also consider the introduction of a four-day week

### Thames TV share allocations

BY ALICE RAWSTHORN

Thames released 17m shares, or 35.6 per cent of its equity, on the stock market and received applications for 459.39m shares. Employees had preferential rights over 1.7m shares and 1.133 members of Thames staff applied for 5.14m shares.

For the public issue Thames' spread of investors," said Mr merchant bank, County, will Robert Dutton, a director of allocate shares on the following. County.

THE BASIS of allocation for the issue of shares in Thames 3,500 shares will be put into a weighted ballot for 200 shares; terday. The offer for sale was oversubscribed 25.9 times, while the offer of shares to employees 200 shares; while applications was oversubscribed twice.

Thames released 17m shares, or 35.6 per cent of its equity, on the stock market and received applications for 459.39m shares. Employees had preferentiated to the nearest 50 shares.

Some large applications made in the same corporate name will

in the same corporate name will be aggregated for allocation.

"We have tried to ensure that there will be a broadly based spread of investors," said Mr

"Although on a pro rata basis, small shareholders are more likely to receive shares, there should be around 49,000 allocations, so almost half the applicents will receive shares."

Employees shares will be allocated on the following basis: all applications for up to 1,000 shares will be satisfied in full; while applications for more than 1,000 shares will receive 1,000 shares and 18 per cent of the excess over 1,000, rounded to the nearest 50 shares.

Dealings in Thames Tele-vision's shares will begin next

# INDUSTRIES

Gypsum-based products and other building materials Paperboard and packaging Wireline services

## 30% Profit increase

1985 £million	1986 £million	Year to 31st March
564	616	Turnover
79	103	Profit before tax
48	<b>63</b>	Attributable profit
· р	P	
25.1	33.9	Earnings per share
7.7	9.0	Dividends per share



The company's subscription offer, which closed last Friday, has raised over £7m in a combination of equity and loan notes. Subscribers include several financial institutions, insurance companies and pen-sion funds. Private individuals

a manufactual mistatution to be able both to offer advice and to deliver the finance itself, rather than broke it in the market.

BRITANNIA ARROW HOLD.

BUGS: The concert rather than broke it in the market.

is one of the few UK indendents with a good cash position. Its assets include a produ interest in the Forties field. Portsmouth and Sunderland Newspapers, plc Points from Sir Richard Storey's statement to shareholders

onshore and offshore exploration interests in the UK and onshore in France, as well as minor production interests in

ISE joined the USM in August 1984 and reported net profits of £1.35m last year, with oil production of 1.130 harrels.

### **UK COMPANY NEWS**

### **BPB** rises 31% helped by overseas **subsidiaries**

1 4 1 Test 4 1 1 1 1 1 1

based products and other hullding materials, and is the largest plasterboard manufacturer outside the US, improved sales over the year from £564.3m to £616m. The pre-tax result came out £24.6m ahead at £103.2m, while 224.6m ahead at £103.2m, while City analysts were looking for around £96m. The shares closed 23p higher at 510p. The directors said that pros-

pects for 1986-87 and beyond were most encouraging, with both UK and overseas com-panies expected to perform

Shareholders are to receive an increased dividend total of 9p (7.7p), with the final raised from 4.6p to 5.5p. Earnings per 50p share are shown up at 33.9p

with strong profit-growth by overseas subsidiaries, BPB Industries has exceeded market expectations and announced a 31 per cent rise in pre-tax profits for the year ending March 31 1986.

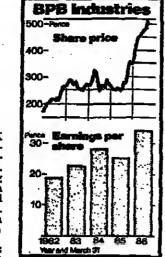
BPB, which supplies gypsumbased products and other hullding materials, and is the largest Trading conditions in the UK strengthened as the year progressed and most businesses experienced improved results. Sales in the UK building materials sector were £320.3m (£300.5m), and in paper and packaging £108.5m (£104.4m). Operating profits were £52.4m (£47.2m) and £12m (£11.2m) (£47.2m) and £12m (£11.2m)

respectively.

The overseas subsidiaries achieved the most significant profits increase, notably Westroc Industries in Canada and Placoplatre in France. In both cases this was mainly due to improved market conditions, the directors said.

In hullding materials turnover for the overseas companies amounted to £210Am (£180.9m).

generating an operating profit of £29.5m (£15.2m), while sales and profits in paper and packag-ing were £34.1m (£29m) and £1.8m (£0.4m) respectively. The directors made a capital investment of £40m in fixed assets during the year, princip-



ally for the continued improve-ment and development of the gypsum and paper activities. Total operating profits rose from £74m to £95.7m, to which related companies added £6.9m (£7.1m) and interest £0.6m (£2.5m charges).

Tax took a higher £38.4m (£30.5m), and after minorities of £0.1m (£0.3m) and an extraordinary debit of £1.5m due to the disposal of its drop forging interests, attributable profits increased to £83.2m (£47.8m).

See Lex

### Adam Leisure £0.33m in red for first half

The downturn in sales of electronic games which hit the Adam Leisure Group in 1984 continued through the opening six months of the 1985-86 year. Losses for the period totalled £325,000 pre-tax. That compared with £494,000 a year earlier and with a deficit of £745,000 in the second six months of the 1983-1984 year.

with £494,000 a year earlier and with a deficit of £745,000 in the second six months of the 1983-1984 year.

The directors said yesterday that the traditional peak selling period up to Christmas had been below expectations. They added, however, that the New Year sales period had been very sales period with tosses of £1.84m out at £55,000 against losses out at £55,000 against losses of £1.84m out at £55,000 against losses of £1.84m out at £55,000 against losses out at £55,000 against losses of £1.84m out at £55,000 however, that the New Year sales period had been very encouraging and had shown a substantial increase over the same period of last year.

The improvement was largely due to wide acceptance of new products. In all, the directors said they were confident that Adam had a much stronger proproducts. In all, the directors said they were confident that Adam had a much stronger product range for 1986 and 1987 which would go a long way to assist the group's recovery. The shares were offered at a minimum tender of 80p and rose to a high of 105p in 1983, under way and that action was Yesterday, they closed unchanged at 16p.

Bintonwood Brewery saw its the future held "many opportunities for and few threats to Burtonwood."

Earnings for the year to March 31 1986 fell to 35.1p (52.7p). A final dividend of 8.3p, bowever, raises the net total from 10p to 10.8p on the enlarged eapital—at least 10p heing taken to deal with poor time for and few threats to Burtonwood."

Earnings for the year to March 31 1986 fell to 35.1p (52.7p). A final dividend of 8.3p, bowever, raises the net total from 10p to 10.8p on the enlarged eapital—at least 10p heing taken to deal with poor time for and few threats to Burtonwood." Yesterday, the changed at 16p.

### Overseas contract losses slow Wellman progress

AFTER swinging back into the directors said.

profit at the interim stage. Group turnover was down
Wellman, thermal and mechanical engineer, designer and
manufacturer, made further ing £40.01m (£43.58m). Operatmeniman, mermal and mech-anical engineer, designer and manufacturer, made further significant progress during the second half, but pre-tax profits were pegged back as a result of a £689,000 loss on an over-seas contract. seas contract.

ing profits were £2.41m against losses of £771,000. After tax down from £139,000 to £49,000, minorities of £3,000 (£14,000) and an extraordinary debit of £567,000 (£345,000

### **Downturn at Burtonwood**

DESPITE A £5.17m improvement in turnover to £30.46m Burtonwood Brewery saw its

performance areas.

They added that management had been strengthened and that the future held "many oppor-tunities for and few threats to

time of the £3,24m rights issue.

### CHI on target with 45% rise to £2.1m

STRONG PROGRESS by its chemical and polymer interests enabled CH Indus-trials to life its 1985-86 profits to £2.11m, an improvement of 45 per cent over the previous year's L5m. The results were in line

with the forecast made by the directors last month at chas e of Parnell & Sons. As promised, shareholders are to receive a final dividend of Lop which will raise their net total from 2.11p to 2.4p.
Turnover for the year to
March 29 1986 advanced from

£22,77m to £30,29m—apart from chemicals, the group has interests in specialist engineering and design, and property and investment, Sales of chemical and poly-

mor products rose by 32 per cent, and at the operating level profits of the sector pushed ahead by 36 per cent to £2.1m. Pre-tax profits took in a #129,000 share of the associates results, compared with previous losses of £48,000.

Tax accounted for £292,000 (£283,000) but extraordinary items added £222,000 (took £390,000).

CH Industrials is an acquisition-minded company and does not care who knows it. Despite the failure of its came out with a film profit and has since bought Parnall and Valor Bruce which should contribute £1m and £300,000 respectively this year. Par-nall will add the third leg of furniture and shopfitting to the existing chemicals and specialty engineering divisions making CH a divisions making CH a genuinely diversified industrial holding company. This year's acquisitions should be

smaller in scale and designed to consolidate its niche in the three sectors. Organic growth contributed about half last year's profits increase and with the probability that losses at Aston Martin Tickner will be eliminated and the contribution from Parnall and Valor Bruce, profits of 54.2m look achieveable this ficant fall. Depreciation was up at £305,000 (£223,000) and interest year. On a tax charge of 20 per ceut, that puts the shares at 38p on a prospective p/c of 7. Even allowing for a 35 per cent charge, the p/e is 9, modest considering the policy of investing in merchant-ing activities was proving suc-

### Hargreaves up 27% to £9m

Hargreaves Group yesterday 1986-87 would see consolidation matched the top end of analysts' and the same raic of profits forecasts when it announced a improvement should not be 27 per cent increase in full looked for. 27 per cent increase in full

The result -- pre-far profits just breached the £9m mark against £7.1m—largely reflected the rationalisation of the company's quarries business which accounted for most of a £2.06m rise to £2.77m by the environment and construction materials division.

Energy, transport and ship-ping services — the main source of profits — contributed less at £5.98m, although the previous year's £6.23m was demand for fuel oil in the face of the miners' strike. Hargreaves' slimmed down

commercial vehicle distribution operations earned a more creditable £274,000 against £59,000. Mr Robert Strachan, group managing director said while this division produced "an acceptable return on invest-ment" he hinted that it could se sold.

The overall result also bene-

Meanwhile, shareholders are set to receive a higher final dividend of 3.1p (2.5p) for a 5.5p (4.5p) total, comfortably covered by 1985-86's earnings per share 2 15.1p (9.8).

#### comment

Hargreaves has come a long way since it was woken from its slumber four years ago and yeslerday's statement drew an undeserved reaction in the shares down 10p to 180p. The company has carved out profitable, albeit sometimes volatile positions in niche markets and the apparent slowdown in the second half was no more than a reflection of the unwinding of the previous year's abnormal fuel oil market. Even without any upturn in its underlying markets Hargreaves should see profits heading lowards £10m. assuming, of course, it does not add to its list of subsidiaries. fitted from a £1m cut to £0.5m So a prospective p/e of around in interest charges.

He was cautions about predicting group growth prospects is going to be a year of for this year, and stressed that "consolidation."

### **Property sale boosts** Latham to £1.91m

BOOSTED BY a property sale £1.91m. An increase in the final payment from 8.25p to 9.25p is proposed, making the total 14.25p, against 13.25p. Earnings per £1 share were 49p [47.9p).

Turnover was up by 5 per cent at £37.02m (£35.34m) and trading profit came out lower at £1.91m (£2.49m).

Mr Michael Latham, chairman, said that during the re-organisation there had been some dislocation and extra trad-ing costs had been incurred. He added, though, that facilities had been completely modernised and borrowings had shown a signi-

charges were bigher at £663,000 (£811.000), making the profit, before the sale surplus, £916,000 against £1,66m.
The chairman said that the

Of the present year he added surplus of £1.45m pre-tax profits that the company's businesses for James Latham, timber mer-chant, improved by £251,000 to particular the regional operatioos were continuing to make progress.

The tax charge was £595,000 (£371,000) and with dividents absorbing £438,000 (£413,000) the retained profit for the year was slightly ahead at £875,000,

### Trilion/Limehouse

Trilion, the USM-quoted broadeasting and television production company, yesterday con-firmed its purchase of Limehouse Studios, the independent production company based in London's docklands, for £5.2m. to be satisfied by the issue of 6.75m shares and a £185,000

Trilion also announced that it had entered into arrangements for the raising of £2.3m net of expenses by a placing of 3.3m 10p shares at 75p a share. This advertisement is Issued in compliance with the regulations of the Council of The Stock Enchange

Application has been made to the County of The Stock Evithange for the grant permission to deal in the whole of the issued share capital of the company in the Unlated Securities Market, it is emphasised that no application has been mode for those securities to be admitted to killing.



#### **FORD & WESTON GROUP PLC** rporeted in England under the Companies Acts 1948 to 1931. No. 1744216.

LLOYDS MERCHANT BANK LIMITED

2,647,000 ordinary shares of 5p each at 85p per share

SHARE CAPITAL

£1.120,148

leased and to be £442 150

#### Business

in ordinary shares of 5p each

Ford & Weston's two principal areas of among are building compacting and chepfore Building contracting is undertaken through several lousi businesses useed in the Midlands and the South whiter shopfitting is carried out net-onally from 8 base in Nottingham

Full perticulars of the Company areas alable through the Exter Unissed Securities Montes Service: Copies of the Prospectus and of Extel Cares can be observed during normal business hours or any week day (public hobday's excepted; units 11m July 1926 from Savory Milln Limited Lloyds Merchant Bank Limited, 40-66 Queen Victoria Street, London EC4P 4EL

London EC2M 5PU

### Granville & Co. Limited

Member of The Metienal Association of Setuest, Dealers and Investment Managers 8 Lovar Lane, London EC3R 8EP Telephone, 01-621 (212 

This announcement appears as a matter of record only.



and the state of the first transfer of the state of the s

June 17, 1986

growth potential.

We are pleased to announce that the shareholders of Arab African International Bank at an extraordinary General Assembly meeting held on June 17, 1986 have approved an increase in Authorized Capital from US \$200 Million to US \$500 Million.

US \$200 Million of the increase has been fully subscribed. The first US \$100 Million will be paid on June 30, 1986 and the remaining US \$100 Million in the beginning of 1987.

### SHAREHOLDERS

Ministry of Finance, Kuwait Rafidain Bank, Iraq

Central Bank of Egypt Central Bank of Algeria

Ministry of Finance, Jordan Bank Al Jazira, Saudi Arabia Ministry of Finance, Qatar



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# OFFER FOR WOOLWORTH

DIXONS INCREASED OFFER WORTH

WOOLWORTH SHARE PRICE

DIXONS BID HIGHER BY

Dixons increased offer is final. Acceptances should be received by 1.00p.m. on 2nd July, 1986.

The increased offer will close at 1.00 p.m. on 2nd July, 1986 unless it has by or on that date become unconditional as to acceptances. Dixons has reserved the right, however, to revise, increase, and/or extend the increased offer in a competitive situation. If you require copies of documents, further information, or assistance in completing your Form of Acceptance, please contact S.G. Warburg & Co. Ltd. at: .33 King William Street, London EC4R 9AS, telephone 01-280 2222.

The value of Dixons increased offer (based on the value of Dixons securities being offered in exchange for Woolworth Shares) has been computed by reference to a price for Dixons Ordinary Shares of 340p, based on market prices at 3.30p.m. on 26th Juna, 1986, after adjusting for Dixons forecast 1985/86 final dividend of 2.4225p (net) per share, and an estimate of the value of a Dixons Convertible Preference Share of

99.30p. Cazenove & Co., stockbrokers to Dixons, have confirmed that, based on market conditions on 26th June, 1986, a reasonable estimate of the value of each Dixons Convertible Preference Share would have been

The value of a Wooworth Share, which is quoted on an ex-dividend basis, has been based on market prices at 3.30p.m. on 26th June, 1986.

### Sovereign Oil in £2.5m cash call

announced a £2.5m rights issue. than would otherwise bave been Dr David Biggins, managing the case, said Dr Biggins, but director, said that the rights this had been necessary in order proceeds would be used to bol-ster working capital and were that the rental payments could that the rental payments could be offset against the petroleum an "Insurance policy to see us resource tax—if fully sheltered through the recession. We are the cost of the rig rental to also looking to buy producing Sovereign would have been reassets from companies in dis-tress and will be switching our Built two years are

issued, on a seven for 30 basis, are being priced at 25p, the par value of Sovereign's ordinary shares. When the compsny joined the USM in 1980, as one

USM debut

for Space

Planning

# joined the USM in 1980, as one of the market's first 11 members, the shares were offered for sale at 450p. Along with the rights issue, Sovereign has also announced a restructuring of the contract on the Explorer deepwater drilling on the cancellation of many drilling contracts by third parties and the abandonment by Sovereign of its own drilling can disguise the distress element in this rights issue—which two of the company's six main the programme of the rig. There is no way that Sovereign above par value, they closed stands and sovereign. There is no way that Sovereign is that the downside looks can disguise the distress element in this rights issue—which two of the company's six main the cancellation of many drilling contracts by third parties and the abandonment by sovereign of its own drilling the cancellation of many drilling contracts by third parties and the abandonment by sovereign of its own drilling the cancellation of many drilling contracts by third parties and the abandonment by sovereign of its own drilling the cancellation of many drilling contracts by third parties and the abandonment by sovereign of its own drilling the cancellation of many drilling contracts by third parties and the abandonment by sovereign of its own drilling the cancellation of many drilling contracts by third parties and the abandonment by sovereign of its own drilling the cancellation of many drilling contracts by third parties and the abandonment by sovereign of its own drilling the cancellation of many drilling contracts by third parties and the cancellation of many drilling contracts by third parties and the abandonment by sovereign of its own drilling the cancellation of many drilling contracts by third parties and the abandonment by sovereign of its own drilling the cancellation of many drilling contracts by third parties and the abandonment by sovereign of its own drilling the cancellation of many drilling contracts by third parties and the abandonment by sovereign of the contract of the contract of the contract

Camotech joining the

**USM** with £1m placing

However, the company hopes to reduce that figure to 60 per cent by expanding its sales of up-market plastic mouldings in mend of recommend a man dividend of 0.333p per share payable next February.

Dealings in the shares commence on July 7.

**BOARD MEETINGS** 

of the group's turnover.

Space Planning Services yesterday unveiled the full details of its debut on the Unlisted Securities Market. BY PHILIP COGGAN Camotech, the precision in the office and domestic equip-jection moulding and air ment aectors. A placing of 1.63m sbares in the company at 95p each is being arranged by Chase Man-hatten Securibes. SPS is a promanufacturer. coming to the unbsted securities market via a film placing. The 1.62m ordinary 10p shares will be placed by brokers Margetts & Addenbrooke, at 63p, putting a market capitalization. fessional consultancy specialising in its namesake as well as interior design, and project management concentrating on putting a market capitalisation on the company of £3.15m. the working environment in the The group was formed in 1983 through the merger of In the year to end last June two existing companies, PB Stewart Moulding and Air Cleaner Technical Services, Its main customers are in the motor industry, which at present accounts for 80 per cent of the Strong's turnover.

the company made pre-tax profits of £301,000 on turnover of £1.48m and yesterday fore-cast that the current year, which ends next week, should produce profits of £43ā,000 on turnover

of £2.01m.
On a 38 per cent tax charge the prospective p/e ratio on the placing price is 16.1. The placing represents 32,5 per cent of the company's ordinary

capital.

If the shares had been held publicly during the current year, the directors would have recommended total dividends of The following companies have notified dates of board meetings to the Stock Exchange. Such meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not evaluable as to whether the dividende are intending or finals are the subdivisions shown below are besed mainly on leaf year's timetable.

TODAY
Interims: Anglo United Oevelopments, Srint Investment, Ciyde Stowers, First National Finance Corporation, Pirst National Securities.

Finals: Anchor Injametional Fund.
Celestion Industries, Meraton Thomp-1.8p — this gives a yield of 2.6 per cent and would be covered 3.4 times by forecast earnings.

LADBROKE INDEX 1,354-1,360 (+7) Based on FT Index Tel: 01-427 4411

ion," he added.

The 10.5m new shares being Sovereign on a five-year contract from a consortium of banks and financial institutions. The daily rental cost agreed was \$80,000, sbared between Dow Chemicals and Sovereign

Sovereign will pay the owners of the rig £10m over the next six years with the first payment due in January 1987. The anual payments are pirmed at a maximum of 25 per cent of assets from companies in distress and will be switching our emphasis away from exploration," he added.

assets from companies in distress and will be switching our emphasis away from exploration," he added.

assets from companies in distriction of success and will be switching our emphasis away from exploration," he added.

but distriction of success and will be switching our emphasis away from exploration," he added.

cost of \$140m, the Explorer rig payments will become due in April 1992 with interest charges aubject to a £2m ceiling.

In order to complete the refinancing plan, Sovereign has already paid £1.6m to Scott Drill, the operating company

Just over balf of the shares

Camotech is forecasting pro-

fits for the year ending August 31 1988 of £445,000 (£434,000). On a tax charge of 45 per cent, that puts shares on a p/e of 12.9. However, the tax charge

should fall to 35 per cent following the conversion of share-holders' loans and the notional p/e to 10.9. The directors

inlend to recommend a final

Sovereign Oil and Gas, the rig, the cost of which has been independent North Sea oil exploration and production company which is struggling to cope with a falling cash income, bas sovereign to do more drilling settable against the resource is beginning to contract the right of the cost of mothballing shareholders (speaking for 15.6 the right was \$53,000 a day (for per cent of the shares) have which Sovereign was liable for which sovereign was liable for declined. It would appear that half), none of which was off-stable against the resource it is only the limited recourse nature of much of its debt that is keeping the ship afloat with the reduced cash flow being used Under the new arrangement to pay interest charges. In almost Latin American deblor style, Sovereign has confronted its financiers (and major share holders?) with an offer they cannot refuse. However, there is little investor interest left in Sovereign, and the long delay in producing the 1985 delay in producing the 1985 annual report bas given what residual confidence there was a further blow. By clinging onto the high cost Emerald development and talking of acquiring producing acreage, Dr Biggins is doing nothing to sooth the market's furrowed brow. With little to bold the shares much above par value, they closed st 34p, the best that can be said is that the downside looks limited by institutional stoicism.

> tinues, another company, Ford & Weston, with substantial shopfitting interests is coming to the USM. The company was founded in 1874 but the real story dates from 1977 when story dates from 1977 when Edward Stanger joined the company. Stanger, now chairman and chief executive, has expanded the group through the acquisition of local building firms and in 1980 Gibson Lea, the shopfitting company which produces Slorebest and Slatwall.

> Around 30 per cent of the group's capital is being placed by Lloyds Merchant Bank in the form of 2.65m 5p shares priced al 85p. The company will net £1.07m from the issue which suggests a market capitalisation of £7.5m.
>
> Profit of £925.000 are force.

talisation of £7.5m.

Profits of £925,000 are forecast for the year ending September 28, 1986 which puts prospective earnings per share at 7.8p and the multiple at 10.9. Last year, F & W msde profits of £776,000 on turnover of £45.3m. The company intends to make further building acquisitions to much the profits from sitions to push the profits from contracting from 40 per cent to

### Ford & Weston placing gives £7.5m value

As the retail revolution con-

contracting from 40 per cent to 50 per cent of the total.

The directors intend to recommend a final dividend of 1.51p per share payable in March 1987. Dealings in the shares commence on Monday,

#### Crest surges to £2.6m and **Courts** profits acquisition benefits ahead down to £6m

1985-86 and with the inclusion of C. H. Pearce looks for an-

lisbing new operations, have contributed to a downturn in of C, H. Pearce hoks for another good full year.

The six months to April 30
1986 saw group turnover rise from £60.47m to £62.27m and profits at the pre-tax level improve by £203,000 to £2.61m

—Crest is a property developer, builder and manufacturer.

The interim dividend is being pre-tax profits at Courts (Furnishers) for the year to The directors said trading profits for the year were satisfactory, but the pre-tax figure was down fram £6.99m The interim dividend is being

to £6.01m. Turnover increased lifted from 1.5p to 1.75p net on the capital enlarged by the £17m casb call of last March. At that time the directors forefrom £86.91m to £90.22m. Exchange movements were detrimental to the extent of £661,000 on the translation of east a total dividend of 4.75p cast a total dividend of 4.75p (4.15p) on the bigger capital.

Tax took £913,000 (£1.04m) and minorities a same-again £9,000. Earnings came through 0.42p abead at 2.54p a share.

Extraordinary debits of £591,000 (nil) mainly reflected the merger last October with Pearce, also a bouse builder and property developer.

As in previous years there was an imbalance between the two halves of the year csused by the incldence of contract comoverseas trading results, and a further £345,000 (£199,000) on the repatriation of funds from overseas companies to

the UK. the UK.

Property profils were considerably lower at £393,600 compared with £1.17m. Interest charges were np from £1.78m to £2.28m. After tax of £1.9m against £2.85m and minorities of £301,000 minorities of £301.000 (£276.000), profit available for distribution was £3.81m (£3.98m) after an extraordinary debit of £787,000).

The final dividend is unchanged at 2.95p net for a same-again total of 4.7p—dividends absorb £1.04m compared with £1.06m. Stated the incidence of contract com-pletion and the seasonal nature

of much of the group's busi-The property division, as enlarged by the property and pared with £1.06m. Stated earnings per 25p share were down slightly from 17.4p to 17.1p before extraordinary

### All-round improvement at Chemring

THE RELATIVE strength of sterling, lower property profits and the cost of estab-

March 31 1986.

ALL OPERATING units in ALL OPERATING units in the Chemring Group traded satisfactorily in the start to 1985-86, resulting in pre-tax profits 70 per cent bigher at £1.28m. During the six months the company acquired Pains-Wessex but Mr Ian Fairfield, chairman, said the particular and present and professional profes results only partially reflected this.

Turnover in the six months to March 27, 1986 for this maker of protective clothing and electronic counter (£4.11m).

The result was in the middle of City expectations. After falling in early trading the shares recovered after the announcement to close 5p np at 575p.

Earnings per 5p share rose by 5.2p to 25.8p and the interim dividend is raised from 5p to 6p on capital in-creased by last. December's £5m vendor placing and £8.4m rights issue.

THE ENLARGED Crest Nichol- construction activities of the indication as to the probable son group continued its growth Pearce group, performed well pace of business for the full in the opening six months of and the integration of Pearce financisi year. Integrabing progressed according to plan.
The market for residential property remained buoyant with reservations echieved at a satisfactory rate with good margins.

A satisfactory supply of good quality land was secured to support further growth for 1987 and beyond.

The commercial and industrial division suffered from the effects of the wel and dull spring weather. However, the division is expected to recover and show an improved perform-ance over the full year. The directors said 1987 should benefit to sn even greater extent from the merger with Pesrce.

A satisfactory supply of good quality land was secured to support further growth for 1987 and beyond. months of 1984-85 have been restated.

comment Given that Crest Nicholson's first half takes in the wet, wintry mouths which inhibit building trade, rim results give interim

pace of business for the full financisi year. Integrabne Pearce with the rest of the group has proved to be a rela-tively painless process, although its contribution should be little more than the £3m or so it pro-duced last year as an independent company. Nonetheless Pearce a contracting expertise should buoy Crest's honse building division and the company is now contemplating diversification into East Anglia and inlo renovation projects in inner London. Given that the company's attempts at diversify-

company's attempts at diversitying away from the core
nroperty-related interests have
been, al hest lacklustre, it is
scarcely surprising list house
building and contracting will
absorb most of the manage
ment's effort and energy in the
future. Any future acquisitions future. Any future acquisitions will be directed towards this area, and Crest could even consider disposing of its peripheral divisions if the right offers come along. The City expects profits of flam for the full year which on yesterday's share price, down 9p to 163p. produces a prospective p/e of 12.5, appropriste for the short

### **Acquisitions boost BTP** profits to over £4m

BOOSTED by the acquisition of both Isingless Manufacturers and Dufay Bitumastic during the period, taxable profits of BTP, chemical manufacture said that the two acquisitions and bulk storage group formerly known as British Tar Products, expanded to £4.3m for the year ended March 31 important phase in BTP's development 1986, from a £49,62m turnover. A plying merger and acquisi-tion accounting rules the com-parative figures for 1984-85 were £4m and £38.7m respec-tively, although reported results were £2.5m and £29.12m.

Earnings per 10p abare were 8.3p (7.62p) and against a forecast final dividend of 2.5p, directors are recommending 3p per share, lifting the total to 4.5p (3.5p). They explain that the increase was in view of

Continued progress at Superdrug

In the first quarter of the 1986-87 year Superdrug Stores opened 13 stores and saw its profits rise from £1.83m £1.92m at the pre-tax level. The directors said yesterday that the expansion programme going ahead as planned 45 new stores were expected to

open in the year. Investment in in the northern regional distribution centre, together with the purchase of a number of freebold sites for development, bad led to cash outflows and a consequential change from Interest received in 1935 to interest payable in

the current year.

Following redevelopment a number of the freehold sites would be disposed of during 1992 97 1986-87.

With increased productivity at the northern regional distribution centre the directors were confident that Superdrug were confident that Superdrug would have a record year.

In the opening quarter (to May 31 1986) turnover pushed shead from £35.47m to £44.06m, excluding VAT, and at the tradling level profits showed a rise of 27 per cent at £2.08m—the group operates retail drug stores.

Net interest charges accounted for £159,000, compared with last time's credit of £187,000. time's credit of £187,000.
After tax of £749,000
(£687,000) attributable profits
worked through at £1.17m,
against a previous £1.14m.
With last year's full results
(pre-tax profits were £1.62m
ahead at £10.36m) the directors said the foundations bad been laid for the group to increase its expansion programme right across the country with a view to doubling its size within four

evelopment. He sdded that the integration he sided that the integration of Isinglass was virtually complete and that there had been good progress on the rationalisation of Dufay, which should be completed by the second quarter of the current year.

After minority interests of £33,000, against £46,000, and extraordinary debits of £28,000

### progress at Ocean Wilsons

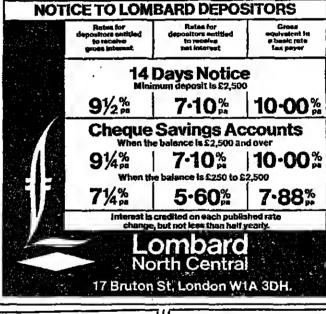
**Currencies** halt

With its overseas results being adversely affected by the strength of sterling and the weskness of the dollar, pre-tsx profits of Ocean Wilsons (Holdings) rose by only £171,000 to £4.89m in 1985.

In the previous year they rose from a depressed £2.72m to

Turoover for the past year slipped from £47.64m to £46.26m Earnings smounted to £5p (£03p) and a final dividend of 3p lifts the net total from 2.95p to 3.75p—a modest incresse had been forecast. A scrip issue on a one-for-two basis is also

extraordinary debits of £268,000 (nil), attributable profits for the year came through slightly ahead at £2.57m, compared with £2.46m. Dividends will absorb



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Notice is hereby given that for the one month interest period from the 27th june, 1986 to the 28th july, 1986, the following will apply: (1) Rate of Interest

(2) Interest amount US\$3,083.85 per US\$500,000 28th July, 1986 (3) Interest payment date

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#### CANADIAN CO-OPERATIVE CREDIT SOCIETY LIMITED

£35\$90,000,000 Revolving Underwriting Facility
Due 1990 (Series 3)

Notice is hereby given that for the one month interest period from the 27th June. 1986 to the 28th July. 1986, the following will apply: (1) Rate of Interest

(2) Interest amount US\$3,083.85 per US\$500,000

(3) Interest payment date 28th July, 1986 MERRILL LYNCH INTERNATIONAL BANK LTD

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In connection with the placing by Chase Manhattan Securities of 1.6.75.446 Ordinary shares of http each in Space Planning Services PLC, at 98p per share, application has been made to the Council of The Stock Exchange for the grant of permission to deal in the issued Old harr, shares mentioned show in the Unisted Securities Market. A proportion of the shares being placed is available to the public through the market change market boars today. It is emphasised that no application has been made for these shares to be admitted to instring. Dealings are expected to commence on Wednesday 2 July 1986.

Further particulars are available in the Extel Unisted Securities Market Service and copies of such particulars may be obtained during normal business hours on any weekday (Saturdays and Public Holidays excepted) unlif Fnday 18 July 1966 from:

Chase Manhattan Securities

27 June 1986

#### THE PROPERTY MARKET BY WILLIAM COCHRANE

### **IDB** strategy for De Lorean site

June 27 1586

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to the form of an emergential complex, a consultant to the Industrial Development Board of Northern Ireland said in London which anticipated the

DOWN THE drain—and back again? The De Lorean factory on the outskirts of Belfast, site of the failed sports car venture which cost the British taxpayer nearly £80m, is coming back to the development market this autumn.

It could lend itself to even more high adventure, this time in the form of an entertainment complex, a consultant to the

### Market newcomers diverge

STOCK MARKET newcomers Arlington Securities and Bre-dero were both well received; but Arlington, in mid week, was standing at 183p against a May offer for sale price of 115p, while Bredero at 162p was on a much more modest premium of 17p a share.

Market performance reflects recent news, and the companies' different characteristics. Arlington, the 'concept' stock, got

Barked upon its first technology park, at Antrim. John Hughes, parks co-ordinator for the board, calculeted that there would be only 100,000 sq ft of existing buildings, as one of his "most exciting" prospects.

In March 1986 the IDB invited proposals from consultants on development on disposal strategy and Milhench Crother's proposal was accepted. They are currently preparing a land use/development strategy for the project.

Mr Crothers expects the development strategy for the project.

Mr Crothers expects the development strategy for the project.

Mr Crothers expects the development strategy for the project.

Mr Crothers expects the development strategy for the project.

The first echnology park, at Antrim. John Hughes, parks co-ordinator for the board, calculeted that there would be only 100,000 sq ft of development on the 81-scre site, much of which is given over to parkland, with the capacity to expand to 200,000 sq ft—and remain a very low density development.

The first global Hughes, controlled Hammersmith and Fulham borough council.

This means it will have to get permission, either from the capacity to expand to 200,000 on its 6 acre site at Hammersmith and very low development.

The first global Hughes, controlled Hammersmith and Fulham borough council.

This means it will have to get permission, either from the capacity to expand to 200,000 on its 6 acre site at Hammersmith and very low development.

The first global Hughes, controlled Hammersmith and Fulham borough council.

This means it will have to get the low of the Store retary Nicholas Ridley, to demolish most of the buildings on its 6 acre site at Hammersmith and very low development.

Bredeto is a town centre market premium — and it has proved that it can wait many years to get the right development of the IDB.

The Board alms to develop ment out of the ground.

Jointly with London Regional that it had detailed planning and listed building consent for the IDB and the park on a speculative basis, for the IDB and the park on a speculative bas

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### **Telecom out**

BRITISH TELECOM polled out of Norwich Union's 74,500 sq ft Olympic House at Woking. Jones Lang Wootton and Mann & Co are putting the campus-style office development back on the market at £13 a sq ft.

Michael Dow of JLW said yesterday that Telecom management had decided to keep its Prestel operation in Central London, and that its decision "in no way reflects on the quality of the build-

Meanwhile, Hillier Parker in Scotland note that British Telecom, having acquired a lease on DCI's 80,000 sq ft Westergato ballding in the westergato nations in the southern extension of Glas-gow's prime office district, is asking £14m plus for its 165,000 sq ft Marland House office building in George Street, also in Glasgow.

National Leasing & Finance, asset-based financing arm of International City Holdings, is arranging the funding of the 90,000 sq ft Scandinavian Centre to be built in the West India Dock basin in the Isle of Dogs enterprise zone in Loudon's Docklands.

 Building notes:
From Swindon, Johnson
Control Systems say that
keeping building services
costs down is now of para-

mount importance; Drivers Jonas aim to cover the ground in their Office Strategy Review; and The Scottish Developmen

# Agency's airborne thermo-graphic survey could help save millions of pounds, says

the SDA, in revealing heat loss from buildings across the Vigers are advising developers Presscord, of Burgess Hill, West Sussex, on a proposed £25m sports and leisure project at Junction 29 of the M1 at Wakefield in West Yorkshire.

● Alfred MeAlpine launched its Chester Business Park this week. It aims to provide 650,000 sq ft of industrial and office space on a 135-acre site, planned around a nine-hole golf course, with other leisure facilities including tennis courts, fishing lakes and jogging trails.

 Knight Frank and Rutley, acting for Institute Bancarie San Paelo de Torino, claim the most expensive lefting in Paris with Frs 3,000 per sq metre for 900 sq metres of office space in the Rue d'Anjou—a refurhishment by LET and Capital and Con-tinental.

 Bristol City Council has given outline planning per-mission to BS Estates, advised by J. P. Sturge, for a 135,000 sq ft retail warehouse park at the Eastgate Centre close to Junction 2 of the M32 motor-

• Jean-Marie Duquenne is joining Jones Lang Wootton as a European partner based in Paris. Mr Duquenne bas had 15 years with the Paribas

### Plans for St James's Trust

SCOTTISH Heritable Trust, the acquisitive industrial holding company backed by N. M. Roths-child and Cazenove, has centred tts investment and development properties in St James's Development Trust, which will have a portfolio of £15m, mainly located in the south east, and an annual income of £1m plus.

According to Hugh Bryan, 35, formerly acquisitions manager of the Lesser Group and now director and general manager of St James's, this leaves the property subsidiary accounting for two thirds of SHT's nel accepts and roughs a quarter of assets, and maybe a quarter of its profits.

Mr Bryan is not satisfied. What he wants is a development company — "buying to develop, to let aod to sell" as he puts it. He is willing to sell balf of his existing portfolio in pursuit of these aims and does out think that property should achieve a low return in rela-tion to other parts of the SHT

He is already developing new retail warehouses on two sites at Luton and would expect to "buck the trend, a bit" in his future development choices. Small office schemes, and straightforward industrial sheds might have some charm.

With his feet on the ground, Mr Bryan is developing what he expects funds to buy property packages in the £5m to £7m hracket.

### **Confident forecast** by Hongkong Land

major landlord of prime office 1988. space in the colony, predicted space in the colony, predicted Mr Priestley also confirmed this week that prime office occupancy rates in Hoog Kong are pany's flagship development, is soing to stay both in the short currently a little over 80 per going to stay bigh in the shortmedium term,

grade A huildings throughout the colony is currently around linancial companies. 95 per ceot. The corollary, 2 vacancy rate reported at around 6 per cent by local observers, is expected to stay at that level over the next two years.

Thereafter it could rise to 11 per cent in 1989, when office developments like the Bank of Chioa headquarters, the Stan-dard Chartered Bank building dard Chartered Bank building and the Victoria Barracks Site Two-all committed after the property market began to recover—come on stream.

The supply of prime office space in 1989 will amount to 4.9m sq ft compared will estimates of 2.66m sq ft for 1987 and 2.25m sq ft for 1987

and 2.35m sq fr for 1988. The company's new tower in The company's new tower in the central area core, Three Exchange Square, is due to be completed at the end of 1987, along with Harcourt House in Wanchai. Jeremy Priestley, also a joint managing director of the company, said that the development of these buildings had been purposely speeded up in order to be the first balch of

HONGKONG Land Property, a offices going into the market in

ceot occupied, and that the development would be virtually At a local press hriefing, joint managing director Andrew Denman said that the occupancy of man said that the occupancy of man said that the occupancy of managing A builty occupancy of managing directors are not occupant. majority of the teoants in Exchange Square are American

Hongkong Land released at the same time a new report —
"Cost Comparsons: World
Financial Centres"—which says
that the colony's occupation costs are the lowest of the world's principal financial centres.

The report compares prime office and expatriate residential rentals in Hong Kong, London, Tokyo, Peking, Shanghai and Guangahou,

It says that the occupation cost of Grade A office space in Hong Kong's central business district core is HK\$30.40 per sq ft including the associated costs of service charge and rates. The equivalent for London is 14K\$57.00, Tokyo, HK\$54.70 and New York



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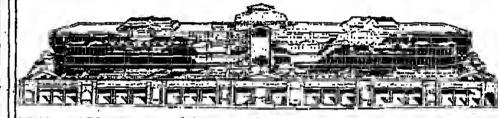
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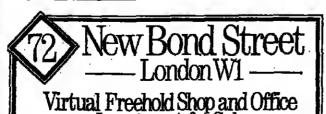


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The outer envelope should not bear any mark that might identify the tenderer, end should read "APPEL A LA CONCURRENCE INTERNATIONAL OUVERT, NO. 0656.1K/DIV, CONFIDENTIEL A NE PAS OUVRIR."

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Tenderers shall be bound by their proposal for a period of 180 days with effect from the closing deta of this notice.

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Hand Held Cloud Base	0475005	_
Turbonyc Oil 13B-For	\$673002	22 August 1986
	Lead Acid A/C Instruments/Spares Jaguar A/C (a) Air Frame Spares (b) Electrical Spares (e) Dunlop/Dowty teake Spares (d) Ejection Seat Spares (e) Air Frame Lubricants (f) Flying Clothing Camberra A/C Spares Hunter A/C Spares Camberra Actuator TY 231 Hand Held Cloud Base Measuring System	Lead Acid A/C Instruments/Spares  [aguar A/C [a] Air Frame Spares [b] Eloctrical Spares [c] Dunlop/Dowty teake Spares [d] Ejection Seat Spares [d] Ejection Seat Spares [d] Air Frame Lubricants [d] Flying Clothing [Canberra A/C Spares Hunter A/C Spares  Hunter A/C Spares  Measuring System  8625015, 8625016 8625082 8625082 8625083 8625084 8625084 8625093 8625073, 8625073 8625073 8625073 8625055  8625054

use in Alouette A/C 8625085 22 August 1986 Tender documents can be had from the office of the Director of Purchase, Air Hoedquerters, Vayu Bhavan, New Dolhi-110011 (Telex No. 31-65622) on payment of £10 per tender by Demand Bank Draft payable to "CDA HQ NEW DELHI" on State Bank of India, New Delhi. Tenders will be opened at 14.30 hours on the due dete in the presence of tenderers who attend. Sale of tender documents will close presence of tenderers who attend. Sale of tender docuteents will close after 25 July 1986. Only those who can offer stores with AQAF1/3, AQAP4/2, AQAP3/2 or their DQAB equivalents or Release Notes (in the case of manufacturers) may seek tender documents. Copy of MOD epproval authorising issues of inspection certificate for the range of Stores offered it essential; where stockists propose obtaining services of other egencies for inspection/quality assurance approval eccorded to them by MOD must eccompany tender documents. Tender offers will not be considered if they ere late or if documents as prescribed ere not enclosed. Past satisfactory supplies will not be eccepted in liou of the documents prescribed. Prices quoted should be lowest and firm.

CORRESPONDENCE/COMMUNICATION will be with this office in

### Legal Notices

DUTCH CLOCKWORKS MANUFACTURING LIMITED

NOTICE IS HEREOY GIVEN pursuent to Section 588 of the Companiae Act. 1965, that a Meeting of the creditors of the above-named Companiae Curtis & Co., situated at 30 Easthourne Terrace (2nd Floor), London W2 GLF, on Friday the 4th day of July, 1986, at 12.00 o'clock midday, for the purpose provided for in Sectione 589 and 590.

Dated the 18th day of June, 1986, S. P. VAN HINTEM, Oirector.

DIBA SHOWROOMS LIMITED NOTICE IS HEREBY GIVEN pursuant to Section 586 of the Compenies Act. 1995, that a Meeting of the creditors of the inbove-nemed Compeny will be held at the offices of Leonard Curtis & Co., situated at 30 Seatbourne Tarrace (2nd Floor), London W2 SLF, on Tusaday the 8th day of July, 1988, at 12.00 o'clock midday, for the purposes provided for is Sectione 589 and 590.

Dated the 18th day of June, 1996.
G. OI BATTISTA,
Director.

NOTICE IS HERBY GIVEN pursuant to Section 688 of the Companies Act. 1966, that a Meeting of the creditors of the ebove-memed Company will be held at the offices of Lacored Curits & Co., situated at 20 Eastbourne Terrace. London W2 6LF, on Thursdey the 10th day of July, 1986, at 12.00 o'clock midday, for the purposes provided for is Sections 593 and 590.

Oezed the 19th day of June, 1986.

N. MAPLING,
Director.

Clubs

## corporated with Limited Liability in the Netherlands Antilles) Sherwholders in the Fund are con-traction of the state of the Fund at Plearman 18, Wildenstee, Carrageo, Netherlands Antilles. The Pows on the depute are (2) Election of the Members of the

INTERNATIONAL N.V.

Luxembourg, June 27, 1986

By order of the Board Caragae, 27th June, 1986. PAN HOLDING S.A. LUXEMBOURG

MOTICE 13. HERSEY GIVEN that Pen Holding S.A., has declared 4 dividend of U.S.E.EO new share of \$50 for the year 1365 newshire as them 1st july 1986.

The dividend will be payable against coupes No. 51 from Bearer shares of Pan Holding S.A., which may be presented to Midsand Bank of, Securities Department. Internetional Division, 110-114 Cannob Street, London ECAN 68.A. for payment at the rate of exchange current en the date of payment.

Intome Tax of 29 % will be deducted, misst the Colloges are accompanied by an infand, Revenue Afidavit.

BEECHAM GROUP PLC. ANNUAL REPORT 1986 NOTICE IS HERREY GIVEN that the Annual Report for the year ested March 31, 1986 was posted to clareloiders and lean stockholders on June 27, 1886. The Annual General Meeting is to be held at 12 mon on Monday, July 21, 1868 at the London Hillon, Park Lane. London Wi



The Principal Paying Agent

KREDIETBANK

S.A. LUXEMBOURGEOISE

**IOHANNESBURG CONSOLIDATED** INVESTMENT COMPANY, LIMITED Registration Number 01/00429/06

**Company Notices** 

**BASS PLC** 

(Bass Charrington Limited)

7 1/2% FF 50,000,000 Bonds 1987

Notice is hereby given that, in accordance with the terms of the above-mentioned loan, Bonds for the principal amount of FF 11,450,000 have been drawn in the presence of a Notary Public on June 13, 1986 for redemption at par on August 1, 1988. Principal amount of Bonds purchased by the Company: FF 550,000 The following Bonds have been drawn and may be presented to Kredietbank S.A. Luxembourgeoise or to other Paying Agents named on the Bonds:

| Security | Security

00555 01146 02031 03873 04825 05075 04693 06886 08874 071020 07718 03125 08836 08026 08444 08805 00555 07161 02032 03875 04830 06076 05494 08836 08806 071741 07220 07718 08125 08836 08474 08805 08474 07105 02032 03875 04830 06076 05494 08836 08807 08742 07221 07724 08127 08940 08475 08806 08675 07115 02032 03875 04831 08077 05495 08835 08805 08744 07222 07725 06136 08844 08262 08474 09806 08677 07115 02032 03875 04831 08077 05495 08835 08806 08744 07222 07723 06136 08844 08262 08474 09806 08675 07115 02032 03876 04831 05496 08835 08806 08744 07222 07723 06136 08845 08026 08477 08910 08675 07115 02037 03878 04834 08806 05496 08810 08744 07224 07743 08144 08656 08025 08477 08910 08696 07115 02037 03878 04834 08806 05488 08840 08811 08746 07351 07748 08148 08656 08031 08477 08911 00880 07115 02037 03878 04834 08060 05488 08840 08811 08746 07351 07748 08148 08656 08031 08478 08818 00880 07115 0715 02058 03891 04895 08060 05490 08811 08748 07351 07748 08148 08656 08031 08479 08818 00806 07115 02038 03891 04895 05060 05500 06842 08613 08748 07353 07753 05195 08666 08033 08481 08835 00700 07105 071167 02077 03902 04895 05060 05042 08613 08748 07353 07753 05195 08666 08033 08481 08482 00700 07107 07107 07107 07107 07107 07107 07107 07107 07107 07107 07107 07107 0710 07107 07107 07107 0710 07107 0710 0710 07107 0710 07

Bonds surrendered for redemption should have attached the coupon due on August 1, 1987. Coupons due on August 1, 1986 should be detached and collected in the usual manner.

Amount outstanding: FF 10,000,000

GOLD MINING COMPANIES' DIVIDENDS

Snancial year aading 30 June 1986

RSA Cents per unk of stock or Companies incorporated in the Republic of South Africe 15.6

24

These dividends em payable subject to the outcomery conditions which may be leapered at or obtained from the companies Johannesburg office or from the London Secretaries, Sameto Brothers, 59 Bishopsgate, London EC2M 3XE.

ECZM JAC.

Holders of abare werrants to bearer issued by The Randfontain Estates
Gold Missag Company. Witwatererand. Limited should ettend to the terms
of a notice to be published by the London Secretaries lets in August 1986.

Sy order of the Esards

JOHANNESSURG CONSOLIDATED INVESTMENT COMPANY, LIMITED

Head Office and Registered Office: Consolidated Suliding Fox and Herrison Birthets Johannaeburg 2007 P.O. Box 590, Johennesburg

### FT LAW REPORTS

### Wife's shareholding does not entitle husband to petition for winding-up

IN RE MOSSMAIN LTD Hoffmann: June 19 1986

A HUSBAND cannot petition A HUSBAND cannot petition the court on the ground that a company's affairs are conducted in a manner unfairly prejudicial to members nor for a winding up if he has never held shares in the company and if, though it was agreed his wife's shares would be transferred to him at a be transferred to him at a future date, no such transfer has been executed.

Mr Justice Hoffmann so beld when giving judgment for three directors of Mossmain Ltd on their motion to remove the name of Mr Frederico Gensale from a petition presented by Mr Gensale and his wife, Giuseppina, for the transfer of her shares in the company or

her shares in the company or for winding-up.
Section 459 of the Companies
Act 1985 provides; "(1) A member of a company may apply to the court by petition for an order...on the ground that the company's affairs are being or have been conducted in a manner which is unfairly prejudicial to the interests of some part of the members...

(2) The provisions of this Part apply to a person who is not a member of a company but to whom shares . . have been transferred or transmitted by operation of law . . .". HIS LORDSHIP said that Mr and Mrs Gensale petitioned under section 459 of the Com-panies Act 1985, or for winding

The petition alleged that in July 1983 Mr Gensale and the three respondent directors had

agreed to form a company. Mossmain was acquired for that Mossmain was acquired for that purpose.

It was alleged that it was expressly orally agreed that the three directors and Mr Gensale should participate equally in the running and profits of the company. Pursuant to that agreement Mrs Gensale was appointed a director and the share capital was divided equally between bar and the other three directors.

Mr Gensale explained why his wife was made a shareholder wife was made a shareholder and director instead of him. He said that he and the three said that he and the three directors had been employed in a company which ceased trading in 1983. They were in a position to pick up some of their former

and directorship should be in his wife's name. company was profitable and that profits were shared equally by way of salaries paid to the

three directors and Mr Gen and directors' fees paid to the three directors and the wife. Early in 1985 there began to be disagreements between Mr Gensale and the other three directors. After unsuccessful negotists in purchase the wife's shares the directors purported to terminate Mr Gensale's employment on April 4 1985, and on July 9 his wife was removed as director.

The petition sought an order under section 461 of the Com-panies Act 1985 for the purchase of the wife's shares or alternatively a winding-up.

The present motion was to strike out the name of Mr Gensals on the ground that be had no locus standi to petition either under section 459 or for winding-up. For the purposes of the motion the court assumed the truth of the allegations in the petition.
Section 459 said that a peti-

tion might be presented by a member of a company, "Mem-ber" was defined in section 22 as the subscribers to the memoras the subscribers to the memor-andum and, in subsection (2), as "every other person who agrees to become a member of the company and whose name is

entered in the register of mem-bers and he therefore did not

bers and he therefore did not satisfy the second limb. On the language of the statute he was ford).

For the directors: Jonathan Crow (Bridgeman Morris, Bedlanguage of the statute he was ford).

the right to present a petition Bedford). on certain persons who were not members, to whom shares had been "transferred or trans-

mitted by nperation of law."

"Transferred" required at least that a proper instrument of transfer should have been executed and delivered to the transferee or the company in respect of the shares in question. It was oot sufficient that there should be an agreement for transfer. That construction accorded with the view of Mr Justice Harman in Re a Company No 007828 of 1985 [1986] 2 BCC 98,951.

Accordingly, Mr Gensale had

Accordingly, Mr Gensale had no locus stundi to present a petition under section 459. The next question was whather he had locus stands to whather ha had locus standi to present a winding up petition.
Such a petition might be presented by the company, a creditor, or a contributory (see section 519 (1)). Mr Gensale claimed to be a contributory.
A contributory was defined in section 507(1) as "every person liable to contribute to the

apply to a person who is not a ties that section 502 was not member of a company but to exhaustive. Persons who had whom shares . . . have been transferred or transmitted by defined in section 22 could be contributories.

In re JN2 Ltd [1977] 3 AU
ER 1104 it was held that a person to whom shares had been
allotted but who had never
been included in the register
of members was a contributory
for the purposes of presenting or members was a contributory for the purposes of presenting a winding-up petition. In Wheal Emily Mining Company (Cox's Case) (1863) 4 De GJ & S 53 a promoter who had agreed to take shares but had procured their registration in the water of nominates purpose.

procured their registration in the names of nominees, pursuant to a fraudulent scheme, was beld to be a contributory. The explanation for those cases was that the rights and Habilities of contributories originated in rules of equity as well as common law. If a person had entered into an agreement with a company that he would take shares and the company would register him as a pany would register him as a member, equity regarded him as

a contributory even though he had not in fact been registered.

There was no agreement employer's customers. Because of a remote possibility that Mr Gensale would be contravening a restrictive covenant with a third party, it was agreed that until January 1986 his shares—could treat as personned.

The court was therefore not

The court was therefore not satisfied that Mr Gensale was The petition allaged that the company was profitable and that to express a coincided view profits were shared equally by way of salaries paid to the three directors and Mr. Conseils winding to.

Section 519(2) said that a cootributory was (with an immaterial exception) not entitled to present a petition for winding up noless "the shares in respect of which be is a contributory . . . were originally allotted to him, or have been beld by him and registered in his name for at least six months during the 18 months before commencement of the winding-up, or have devolved an him through the death of a former holder . . ." contributory or not he had not been registered for six months or at all, and he had not taken his shares by devolution on death. He therefore could not present a petition unless the shares "were originally alkotted to him."

T ( 20 44 48 )

3.

· ....

. . .

Section 738(1) said that shares were "allotted" when a person acquired the uncondithe company's register of

The petition made it clear that the agreement with the three directors and the company was to give the wife and not Mr Gensals the immediate right out as a petitioner.

member.

For Mr Gensale: Robin

ction 459 (2) also conferred Hollington (Cowley Di Giorgio,

By Rachel Davies

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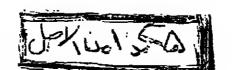
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sion in Loya (7)  Worthy study of Scottish town get currency (8)  Cubao acors or otherwise (6)	##EL Treats Refu Go & F 953  Brown Shipley & Co Ltd (A)(g) 9.17 Persympat Rd, Naywary Nay 0463 456144	Agency income Fs . 430 661 at 425 151 88 who from Land 425 fectors from . 1410 1500 - 161 131 88 who from Land 425 fectors from . 152 4 162 0 - 161 131 152 fectors from Land 152 0 - 161 131 152 fectors from Land 152 0 - 162 131 153 Unit Trust Managers Ltd Dobbart From Trust Managers Ltd	+0.1 0.11 Liveni Nov. 10 129.5 25.2 4.37 Scott +0.2 0.17 Hunray Johnstone UY Mgnt. (a) 19.5c  Nov. Survey. Claradry 52.20h 041-221.9252 Assets	High Life Investments         65 Hollow Vialest, Lengue ECIA 2013         01-226 3053           Andrew Sp. Edinburds         60 Hollow Vialest, Lengue ECIA 2013         01-226 3053           Andrew Sp. Edinburds         105 9         105
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NEATING OIL 42,000 U5 gallons, conto/U5 gallon

Latest 37.50 38.00 38.90 39.68 40.50 41.50 41.80 42.55 40.00 38.80

104.90 106.70 107.45 108.25 109.05 109.85

PLATINUM 60 troy oz, 5/troy oz

CILVER 6,000 troy oz. cents/Iray oz

SUGAR WORLO "11 112,000 lbs, cents/lb

High 38.50 39.00 39.90 40.60 41.60 42.30 42.85 42.35

ORANGE JUICE 15.000 Ibe. cente/Ib

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cost Canadian and Australian rivals have expanded output.

However, the US companies are trying to fight back, taking

their Department of Energy to

has neglected its legal duty to ensure the "vishility" of the domestic uranium industry.

Last week, the producers won an impressive interim victory

an impressive interim victory when a District Court judge in Denver ruled that the enrichment plants could only take 25 per cent of their feed from non-US sources for the rest of this year and none at all thereafter. Currently the US imports about three-quarters of its uranium.

Although the Doe plans to

anaters of its uranium.

Although the DoE plane to appeal against the ruling, the decision has worried exporters, especially Canada. Moreover, even if the speal is upheld the uncertainty caused by the action is likely to persist

President Reagan'o administration has sofar rejected calls for protectionist legislation for

for protectionist legislation for the uranium industry. If he

were forced by the courts to change his mind it would drive the Canadiana to look for other

markets and, inadvertently cause more damage to South

allowed to keep their MCA levels at the time of the April

The MCAs which will come into effect on July 1 sre: Britain, -4.3 est; Italy, -1.5; Greece, -24.4; West Germany, +2.4; and the Netherlands, +2.4.

Working out winners and losers is to some extent o sub-

jective exercise but in securing the same devaluation as the

French, Britain has of the very least safeguarded its position. Danish bacon imports, for example, are likely to be less

The French will be relieved

that Dutch imports are now less attractive than before the sus

attractive than before the sus-pension. Only Belgium—the only nation to recast his rote against the compromise—is hadly put out since it wanted possive MCAs to be abolished in return for concessions on negative MCAs.

More than one observer in Brussels yesterday pointed out

competitive.

### South Africa has little to fear from US-EEC uranium sanctions

BY STEFAN WAGSTYL

THE POSSIBILITY that the is a by-product in the highly temploting one measure which European Community might han imports of South African uranium in a package of economic sacctions is unlikely companies could easily copa uranium in a package of economic saoctions is unlikely to cause President Boths to lose

For uranium accounts for only o small proportion of the country's exports — perbsps \$300m out of total exports of \$16ho last yesr.

Moreover, any ban would take years to bite, since it would most likely affect only new controcts in an industry in which producers and their customers (electricity concerns) are locked together in long-term sgreements, running for five or

South African production has in any case been falling in recent years in response to a sleep decline in prices in the 1980s from a peak of more than \$40 a pound for uranium oxide io the spot market to a low last year of \$14.25. After a slight recovery uranium oxide is now trading at \$17.25 a pound, according to Nuexco, the industry's monitoring body.

Production figures are a state secret. But it is estimated that South African production has fallen from 6.1m tonnes in 1980 to 4.8m tonnes last year. However, this reduction in prices and output has bardly been catastrophic for the mining houses South African uranium industry.

In fact, the comment referred

to complex new arrangements for cross-border European trade

in pigmeat which were agreed late on Wednesday evening by

experts from EEC member states meeting in Luxembourg.

The proposals, which are primarily designed to henefit

lation of pigmeat monetary compensatory amounts (MCAs). They will be formally sdopted by Ministers early next week.

MCAs are a complicated system of import subsidies and

export taxes designed to soften the impact on agricultural

prices of currency movements

between member states. In con-

trast to some commodities the

pigmeat (largely pork and bocon) is not far sbort of pro-duction—both are expected to

It follows theo, that thess companies could easily copa with the complete loss of their export markets, although one or two marginal mines, such as Harmony Gold Mines, would find their profits uncomfortably

On the assumption that sanctions included Namibis as well as South Africa, Rossing, the Rio Tinto Zine uranium mine which produced some 3.5m tonnes of metal last year, would be hit much barder by an EEC han than the gold

However, given time, the producers could almost certainly find alternative markets for the uranium now sold in Europe, which accounts for perhaps onethird of South African exports. One possibility would be to sell more to Japan, which has significantly been prepared to huy ficantly been prepared to huy South African coal when some European countries bave cancelled or cut hack imports. So far, South African uranium producers have not had to offer the "political discount" which the country's coal miners have to concede, selling st about 15 per cent below the world market price.

because South African uranium But the members are not con-

This week's tortuous negoti-

ations on pigmeat MCAs followed the suspension of all

MCAs for pigmeat, poultry and eggs at the time of the general

farm price fixing package agreed by Community Agricul-

ture Ministers in April, This was o concession won by Mr

concerned ohout the impact on French plg farmers of the blgger negative MCA implied

blgger negative MCA implied by the last devaluation of the French franc within the Enro-pean Monetary System. (A negative MCA is effectively o levy charged on a weak cur-reocy nation to reduce the inherent sdvantsge of thot

on Inherent sdvantsge of thot the weak currency to its exporters; of a positive MCA has precisely and the opposite effect.)

The morning after Argentino's where exchange rates can significantly victory in the World cup anyone could be forgiven for thinking that this remark made in Brussels was obout football.

France and Britain, represent a Francois Guillaume, the French change in the method of calcu- Agriculture Minister, who was

EEC pig deal keeps most members happy

"THERE WAS only one major But there is considerable cross meat MCAs from the EEC have until next year been loser, and that was Belgium." border trade within Europe cereals intervention price to 35 allowed to keep their MCA

in PWR nuclear reactors, the most common type. Since an enrichment can produce military-grade uranium the process is tightly controlled by governments and there are just three bodies in the West commer-

cially producing enriched material for power stations—the US Department of Energy, Urenco (an Anglo-Dutch-West German colloborative venture) and Frenched Eurodif. So sanctions imposed by the US and EEC jointly could not be circumveoted by sales to Japan and others. South Africa is developing its own (accret) enrichment plant but it seems will be better the seems will be better the seems and other than the seems will be better the seems and in the seems will be seems and in the seems are in the seems and in the seems and in the seems are in the seems and in the seems are in the seems are in the seems are seems and in the seems are seems and in the seems are seems and seems are seems as a seem and seems are seems are seems as a seem and seems are seems as a seem as a seem and seems are seems as a seem as a seem and seems are seems as a seem as a s unlikely that this would be large enough to take over all the processing carried out obroad.

Customers, holding large stockpiles for strategic reasons (two years' aupply in the case of the British Central Elecof the British Central Elec-tricity Generating Board) bove beld the whip bsnd. They would have little trouble in find-ing supplies to replace South African material should the need arise. Long-term contract prices—running at just over \$30 a pound—are well obove the spot market but they have slipped stesdily.

slipped stesdily.

Western world uranium producers than any sanctions the EEC might be duction has fallen from 44m planning to impose.

cereals intervention price to 35 per cent of the basic plameat

per cent of the basic pigmeat price. The idea of using the cereals price (which itself was introduced only at the beginning of 1985) was justified by the argument thot pigs (being generally fed on the stuff) are

generative ted on the stury are no more than processed cereal.

Political expediency, however, now dictates that only 35 per cent of o plg is represented by cereal feeds, though this percentage has the convenient merit that when multiplied by the great rate (used to convert

the green rate (used to convert EEC agricultural prices into national currencies) the MCA levels suspended in April are

achieved. France and Britain have in addition been allowed to devalue their green currencies by 3.1 per cent, which has the effect. of -completely eliminating France's negative MCA and reducing Britain's to minus 4.3 per cent

The agreement, however, also accommodates the wishes of the

countries with positive

minus 4.3 per cent.

#### LONDON MARKETS

INDICES

REUTERS

DOW JONES

METALS

Gold Troy oz....

free rekt.....

CTHERS

June 25 Mith ago Year ago

1455,8 1461,8 1766,0 1769,2

Jones S5 24 ago agp

\$pot 157.22 157.04 — 118.02 Fut 118.11 115.37 — 118.29 (3sse: December 31 1931=100)

MAIN PRICE CHANGES

in tennes unless otherwise otated.

Barley Fut Sept. 298.35 +0.58,298.00 Maize 2144.08 £135.00 Wheat Fut Sept. 289.55 +0.15(299.35 No. 2 Hand Wint.

& per tonne

nber 18 1831 - 100)

**HEAVY SELLING took cash** higher grade copper sharply lower on the London Metal Exchange sgain yesterday. The £19 fail to £878.50 a tonne—a 3½ year low brought the aggregate decline in the past three days to £58.56 a tonne. But the weakness did not extend to the three mouths position, which closed \$1.25 higher at £921 a tonne. Dealers said there was a build-up of "lending" (selia bulld-up of "lenging" (self-ing cash and buying forward) as bolders sooght to unload certain brands of bigher grada material which will not be deliverable against the Grade A contract when it be-comes fully operational on July 1. On the coffee futures market values railled some-what following this week's sharp decline. The September sharp decline. The September position, which lost £189-50 a tonne in the first three days, closed £2g higher at £1,712.50 a tonne. But dealers said the underlying mood remained bearish and that the rally represented a technical procession.

rechnical reaction to the severity of the preceding fall. LME prices supplied by Amalgamated Metal Trading. ALUMINIUM

	Unofficial + or disselp.m.) — Highriow
Gash 3 monthu	764-5 ; +5,5 760/764 750-1 +5,25 763/757
Official	closing (sm): Cash 764.5-5 hree month 759-60 (758-7), 765 (758). Tursover; 22,450

#### CODDED

COPPER	Coffee Ft. Sept \$1712.5 +28 21878.5 Cotton A Ind. 59.40c0.4 44.20c		
unotile'i + or High/tow	Rubber(kilo)   \$116,20   + 1,0   150		
Cash higher 978-9 -19 885/880 8 months 980,5-1,8+1,85 928/920	Wooltope 64a  411p kilo -4  425p klo ‡ Unquoted. † Psr 75-1b česk, c Cants per pound. « July. u Juns-July. y July. August. z Aug. « Cotton Outlook.		
Official closing (am): Cash 882-3 (901.5-2), three months 225-7 (925-6.5), settlement 883 (902), Cash Cash Cash Cash Cash Cash Cash Cash	Futures again langulahed in a narrow and uninteresting trading range but closing levels were at the highs of the doy. Physical interest was aperased only light second-hand business was noted, reports Gill and Dutius.  [Yesterday's]		

EA	D			July
mah	; Unofficial prices (p.m.) ; £ per to	+ 07 1	Highriow	Beo March
nonth	570-1 572-5		079/272 270/271	Seles:
73-3.5	of closing (s i), three month ont 272 (273.5) US Soot: 23	273,5- Tumay	4 (274-5), ne: 12,875	pound). (85,83): 1

MICK	EL		COFFEE
	Unofficial	High! lew	Trading was dominated by ewitch and house treas trade activity. After opening as due E10 lower, trade buying slowly lifted levels up to £45 above.
Cash 5 months	8670-5 : -10 8690-5 : +3.5	2680/2888 2705/2888	Wednesday's closs. The buying appeared to be against physical interest and by gild-morning the interest wased
(200-5),	closing (um); Ca three months 2005-7 c 2005 (2005), Turn	(2690-2),	and commission house selling kept the market underpressum for the real of the day, reports Orexet Sumhem Lambert.
Municipal,			COFFEE  Yesterday + or Business

KUALA LUMPUR TIN MARKET: Clore 14.08 (14.11) ringsit per kg. Down 0.3 ringsit per kg.

### ZINC

erade Srade	olose(p.m. E per ta	High flow	
Cosh 3 months	017-8 584-4.5	+5.5 +7.76	616/610 629/620
(575.5-8)	closing (s three mont mant 516.5	ha 521 5	5-2 /520 5

### GOLD

Gold rose 3% an ounce from Wednes-dey's close in the London builton merker yesterday to finish at \$3444-345%. The metal opened at \$3447-346, and traded between a high of \$3457-345% and a low of \$3437-344. Gold traded quits actively in contrast to the recent law level at activity. However, there were no niv lactors behind the increase in volume.

GOLD BULLION (fine our	(90	June	26
Clost, \$3444,-34514 Opening _ \$34412-345 M'n' p fix. \$343.80 Aft'n'nfix \$344,90	C257	4-55 (411) (482)	734
GOLD AND PLATE			_
Krg'rnd . \$5441g 3461g 1s Krug. \$1211g-1821g 1s Krug. \$921g-931g 1/10 Krug. \$571g-861g Marylein 1824 357	£110 £110 £903 £243	4-12	11

Silver was fised 20 an ounce lower lor spot delivery in the London builton market yesterday at 335.20. US cent equivalents of the fixing lavels warm; spot 507.5c. down 3.65c; three-month 515.8c, down 3.75c; all the month 541.6c, dawn 4.05c. The matal opened at 332-335p (510.512c) and closed at 332-334.pp (506.508c).

SILVER Builion H or L.M.E. + ce per Fixing p.m. troy oz Price Unotific'il 

Junes, Cash high 331.5p, low 331p; three menths high 339.5p, lew 339p.

Pigmeet sales: 7 (80) lots of 50 carceass, 3,250 kg. Stal sales: Nil (nil) fats of 20 eldes. Yiday's + or olose - close -101.80 -0.28 191.50 -3.60 101.70 - 185.50 +1.00 107.40 - 186.50 +1.00

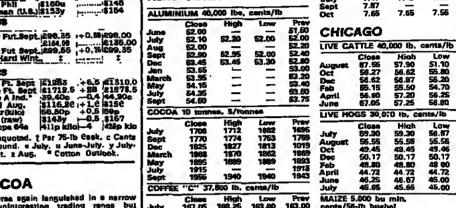
MEAT COMMISSION—Average lat-stock prices at representative merkets. GB—Cattle 100-29p par ke lw (~1.08). GB—Sheep 153-019 par ke est dow 1-25-89. GB—Pige 75.04p per ke lw (+0.48). (+0.48).
Pigmest prices closed unchanged in dull trading conditions, reports Ezatere Capital—CCST.

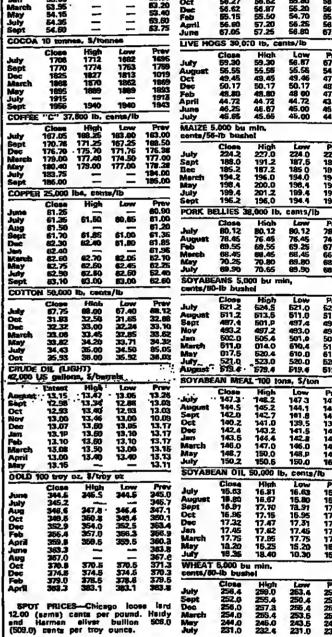
#### **US MARKETS**

FOLLOWING RECENT POOR technical performances the New York sugar and coffee markets staged o reasonable rally, which some traders saw as confirmation of the oversold condition of both markets in the previous few sessions. reports Heinold Commodities.

Following what nearly proved a key reversal in sugar on Wednesday, October prices gained 22 points on shortcovering operations, mainly by commission houses fearing a technical rebound, with rumoors of an imminent picknp in physical pfitake fuelling precaptionary buying. Coffee rebounded in the leading July and September positions. which loart more heavily on Wednesday due to the obsence of limits, but significantly the December position still lost half s cent, confirming many analysts bearisb attitude in the continuing absence of supportive fundamentals. The lack of constructive news from the second day of Opec talks did little to inspire o cantious oil market, where September crude slipped below \$13 on tired liquidation. The gold market fell slightly as the positive move of the previous sessions seemed to lose some

#### of its impetus NEW YORK





### Trade war anger in Manila

By Chris Sherwell In Manila

AGRICULTURAL export subsidies by the US and the EEC came under bitter attack yesterday from major deve-loped and developing commodity producer nations, at a meeting in Manila.

Canada, Australia, and New Zealand Joined the six-member Association of South-East Asian Nations (Asean) in complaining about the damaging impact of EEC and American farm subsidy policies on world commodity prices.

The issue is "coming to the boll," Mr Joe Clark, Canada's Foreign Minister, said. Canada first raised the issue internationally at the Tokyo summit, when the top industrial countries backed an OECD otudy of agricultural substdies. But Mr Clark said yester

day the OECD study would take too long. He added that Ottawo was urgently consider ing commissioning a small team of international experts to define o common standard against which all epuntries' subsidy practices could be

Mr George Shultz, the US Secretary of State, who this week repeated Washington's complaints about EEC farm subsidies supported Mr Clark's idea.

"We need to progress on this anhject and keep the hall rolling," he said. There was no formal reaction from EEC representatives.

Thailand, the world'a largest rice exporter, won the backing of Australia and Canoda for a meeting of producers of non-subsidised commodities. Officials will meet in Thoiland next month, and o ministerial-level gathering will take place in Australia ln August.

"A number of ns feel there is o need for action." Mr Bill Hayden, Australia's foreign minister, said. Mr Clark said Canada would be interested in considering participation in the initiative.

### the opposite effect.) The solution worked out in Luxembourg involves changing the basis of calculation for pig which would have lost out if the that the agreement was a straightforward fudge designed to boost farm incomes by the back door. Lucy Kellaway on the 'netback' pricing system.

ONE OF the most important hut least widely understood features in the oll market up-beaval of the past year has been the growing popularity of "net-back" pricing arrangements.
While hastening the demise of Opec's official prices and so contributing to the world market collapse, this system has also mode it even more difficult to discern real trends in prices. Under a netback deal the Under a netback deal the price o refiner pays for crude oil is effectively the price be eventually receives for the refined products pluo an agreed profit margin. In a falling market this is an attractive way for the refiner to huy oil as it eliminates bis exposure to market risk altogether. Saudi Arabia started export

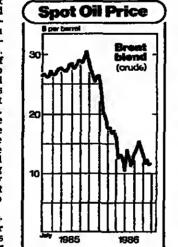
ing oil on a netback basio o year ago, and now sells olmost its entire output in this woy. Other enise output in this way. Other producers have followed suit, and netback pricing is now used by Iran, Ruwait, Algeria, Iraq, Libya, Nigeria, the USSR and Venezuela. At leost 6m barrels of crude change hando daily on netback terms, and some think the lolal may be much bigher.

North Sea producers bave remained aloof from the net-back movement, bowever. This is partly because their markets are nearby so that huyers are not taking as much of a prica riak as the buyera of Opec crudes, Moreover, the major UK oil companieo need to be able to show the tax authorities an unamhiguous transfer price hetween their upstream and

be more blurred. Last summer, when Saudi Arabia decided to abandon its role as swing producer for the Organisation of Petroleum Experting Countries, nethack pricing offered the way to

free profit morgin. Saudi Arabia's output of oil last July had fallen to 2.2m barrels o day, but six months

According to Mr Don Millar, the general manager of British National Oil Corporation (Trading) until it was distance of British (Trading) until it was distance of the International Control of the Internationa National Oil Corporation
(Trading) until it was disbanded two years ago, the large quantities of nethack crude fallen helow the spot price, coming onto the market last partly as a result of falling pro-



November were the direct cause of the dramatic fall in crude oil prices.

He argues that netback pricing has injected instability into the market and could lead to a "self-perpetuating downward price spiral." He says netback prices precipitated a sharp fall in spot prices. This in turn pushed Saudi Arabia recently to cut its netback prices by

giving customers discounts of between 50c and \$1.50 o barrel. Netback sales have also had a downward influence on pro-duct prices. If refiners are guaranteed a margin, they have hetween their upstream and downstream operations. The Brent forward market can provide such o price, but with o netback deal the price would be more blurred.

Last summer. when Saudi prices further.

Although the relationship hetween spot prices and net-back prices changes all the time, netback prices should in general work out more expenincrease its market share by sive than purchases on the spot selling customers oil with a risk-market, with the difference representing a risk premium.
When refiners have the option
of buying riskless netback oil
they are unlikely to buy spot loter it had more than doubled oil and take the risk that marting 4.5m b/d.

Simplify and take the risk that marting ins will be eroded or reversed.

Selling oil in a buyers' market duct prices and partly because of higher freight rates, result-ing from increased shipments of Gulf crudes and the risks created by the Iran-Iraq war. Arriving at a netback price involves o complex formula con-taining few stradard elements involves o complex formula con-taining few standard elements, and therefore yielding a different price for each deal. Indeed two netback deals done of the same time and for the same type of cruds may show variations of \$2 a barrel or

There are about half o dozen variables in the netback formula, which no one except the buyer and selier will know. These include the product price references, the dates the prices are set (this is usually, but not always, the delivery dote) and product yields from different refineries, the level of process-ing costs, and the basis for assessing the cost of freight Mr Millar argues that the producers have deliberately made netback prices impossible for outsiders to assess. Ha says that terms "are at best imprecise

and at worst totally opaque to the outsida observer."

Indeed, so impenetrable is the formula that the ability to the formula that the ability to calculate reliable netback prices is becoming a valuabla skill. Petroleum Intelligence Weekly, the US oil newsletter has just published an "Encyclopedia of Netback and Formula Pricing Techniques" which is belonged. Techniques," which is being sold ot \$325 a copy, which works out at \$16.25 per page. However, whether such docu-

ments remain an indispensable part of every oil man's library may depend on whether oil prices continue to oscillate as wildy as they have done so for this year.

As well as contributing to the instability of oil prices, netback deals bave gained popularity as a direct result of that instability. But with the steadying of prices in recent weeks has come some evidence that the major con-sumers are reducing the proportion of the oil they buy netback. Some say they do not like the unwieldy and complex nature of netback deals, nor the fact that, unlike spot deals, they are term contracts with little flexibility on volume.

In the words of one oil com-pany executive "netback prices have helped os out, but I think they'll disappear in more stable

### August 122.6 122.6 +0.19 October 122.6 122.6 -0.36 October 123.6 123.5 -0.36 October 123.6 123.5 -0.75 Feb. 1176.9 126.8 -0.25 Apr. 127.6 129.0 -0.16 August 125.7 127.6 -0.16 August 125.8 127.6 -0.16 Sales: 335 (168) lots of 20

1570.1671; + 99.5; 1886-1886; 1711-1714 + 28.0; 1730-1888; 1791-1787; + 83.0; 1886-1787; 1793-1787; + 83.0; 1886-1885; 1830-1888 + 7.0; 1836-1885; 1836-1887; 1836-1887; 1836-1888 + 7.0; 1836-1886; 1836-1888 + 7.0; 1836-1836; 1836-1

Sales: 8.281 (8.821) lots of 5 tonnes. 1CO indicator prices (US bents per pound) for June 25: Comp. daily 1879 139.59 (143.80); 15-day averago 152.23 (153.44).

Prices moved lower on commercial selling but were supported by continued consumer buying, raports Mulripeca.

8

SOYABEAN MEAL

GRAINS July wheel attedded initially on ehipper short-covering before retreating on speculative selling. New ctop firmed sharply on ehipper buying reflecting renewad export trade, sithough commission house selling prevented the market advencing further, reports T. G. Roddick.

WHEAT BARLEY July 115.78 -0.25 Sept. 99.66 +0.15 98.36 Nov. 108.25 +0.35 101.79 Jan 105.65 +0.35 101.79 Mar. 107.85 +0.35 107.80 May 109.95 +0.35 106.70

Rusiness done—Wheat: July 113.50-2.75, Sapt 59.70-8 50, Nov 102.55-2.16, Jan 105.60-5.20. March 107.95, May untraded. Saloa: 272 lots of 100 tonnes. Sarley: Sect 98.35-8.15, Nov 101.30-1.75, Jan 104.90. March 107.20-7.15, May 105.95-8.75. Sales: 55 lots of 100 tonness.

Jan 104.90, March 107.32-7,10, May 108.95-8,75. Seles: \$5 lots of 100 tonnes.

LONDON GRAINS—Wheet: US dark northern spring no. 1 15 per cent July 98.00, Aug 95.00, Sep 95.75 sellers transshipment sept coset. US no. 2 selt red winter Jul 80.75, Aug 89.75, Sep 90.60 selters: EEC Jun 123.00. English leed fob Jun 114 boyer, Sep 101.00/102.00 buyer/seller, Oct 104.00 buyer, oct/Dec 108.75/08.50, Jen/Mer 110.75/111.60 buyer sellers. Meize US no. 3 yellow/French winteshipment east coaer Jun 124.00. Barleyt English feed fob Jul/Aug 99.50 buyer, Aug 89.00/100.00 buyer/seller.

Cot/Dec 100.50/107.00, Jen/Mer 111.50/112.50 buyer/seller.

HGCA—Locational cx-ferre spoi prices. Feed Berleyt C. East 112.40, N. West 117.70. The UK monetary coefficient for June 30 will be unchanged and from July 1 the coefficient is expected to change to 1.089.

### RUBBER

PHYSICALS — The Landon market opened obstply higher, ettracted little interest at the higher levels and closed essier, toponta Lawie and Peat, Cleaine prices (buyens): 8 port \$8.50p (58.00p); Aug 58.00p (57.50p); Sept \$8.00p (57.75p). The Kuela Lumpur tob prices (Melaysian cants por ko); Raā Na. 1 was 208.0 (208.0) and SMR 192.0 (189.0).

FUTURES—Indox: 680, July 580-585, Aug 578-583, Oct-0ec 573-576, Jan-March 582-587, April-June 595-600, July-Sept 597-602. doles: Nil.

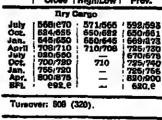
SUGAR

LONDON DAILY PRICE—Raw euger \$143.00 (£84.90), down 50c (unchanged) a tonne for July-August delivery. White suger \$173.50, down \$1.00. No. 6 Yest'rdy's Previous close tract

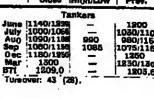
S per tonne F.O.B. 

Seles: 2.41a (3.715) lots of 50 tonnes. This and Lyle delivery price for gmoulated besis euger was £196.00 (£197.50) is tonne for export. International august Agreement—(US cents per pound lob and stowed Carlibean ports). Prices for June 25: Osily price 5.67 (5.82): 15-day sverage 6.23 (3.88). PARIS—(FFr per tonne): Aug 1230/ 1235, Dec 1220/1279, Dec 1290/1300, Mer 1349/1365, May 1385/1395, Aug 1435/1440.

FREIGHT FUTURES | Close | High/Low | Prev.

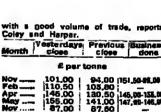


| Close |High/Low | Prev.



**POTATOES** 

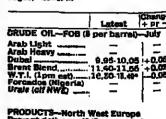
Carry-through buying, oncouraged by fine weether and lurther telk of reduced acreage and poor root development, was responsible for the nes in seriy doslings, short-covering and steploss triggers kept the market steedy, and the closing tone wee very strong

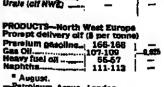


HEY MASH

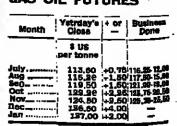
Seles: 2.048 (888) lots of 40 tonnes. Earlies—July 79.50, —7.00, 84.00: Aug 67.50, —4.00; Sept 60.00, —2.50. Seles: 12 lots of 10 tonnes.

In the petrolsum products marks! 55s oil prices remained unchanged in thin Inde. Naphtha trade atomat to a hist and gasoline sirugglad with tight outcollos. Fuel oil was quiet with little prompt oil and little spot trade. Crude oil trading was very thin, but belitab remorks by Sheikh Vamani led to a firmer prices for toward floor, and onl trading was very thin, but belitable remorks by Shaikh Vamani lad to a firmer prices for toward 8 rant and gains of around 10c. A more belanced physical position for July generated a sale of mid-July Forries of \$11.80 for a gain of 50c over Tuusday, flymex Will for August opened 20c up but lost this gain by 1.30 pm EDY—Petraleum Argue, Londpn.





Argue, London. GAS OIL FUTURES



Turnever: 3,262 (3,884) lots of 100

### CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN	<b>EXCHANG</b>	ES :				
Dolla	r stars	-	75.07			
DUHA	r stays	Ш	паг	LOM	Га	ige

£ IN NEW YORK

to the US dollar

The dollar stayed within its recent trading range yesterday with volume well below recent levels. There was a reluctance to take out fresh positions ahead of the month, quarter and half year. This combined with a rather pervous picture building up ahead of Japan's general election on July 6 and central banks' apparent resolve to prevent a sharp dollar decline before this date.

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FUTUES!

sharp dollar decline before this date.

A reflectance to push the dollar down was in stark contrast to the underlying bearish sentiment surrounding the US unit. Hopes of a cut in the US discount rate next month have been rising as part of another concerted cur in rates. Despite denials by Japanese officials, there was speculation that the Japanese discount rate would be cut after the election, following very disappointing first quarter GNP figures.

The dollar closed at DM 2,215 from DM 2,2180, having touched a low of DM 2,2130. Against the yen it finished at Y166.0, unchanged from Wednesday and the level at which the Bank of Japan was probably intervening on Wednesday in Tokyo. Elsewhere it closed at SFr 1,8195 from SFr 1,8175 and FFr 7,0825 compared with FFr 7,0650. On Bank of England figures, the dollar's exchange rate index rose to 115.5 from 115.0. STERLING — Trading range against the dollar in 1986 is 1.5565 to 1.5700. May average 1.5202. Exchange rate index closed at 76.0 after opening at 75.9 and compared with 76.1 on Wednesday. The six menths age figure was 77.9.

The pound finished above the day's lows, unaffected by a 5666m trade deficit in May and a current account surplus of 534m. These were much in lime with expectations. The Open meeting failed to have much effect. The pound rose to 31.5195 from \$1.5170 and DM 3.3750 compared with DM 3.3625. Elsewhere it rose to Y252.25 from \$251.75 and FFr 10.7625 from FFr 10.7175. DEUTSCHE MARK — Trading range against the defiar in 1986 is 2.4710 to 2.1640. May average 2.2295. Exchange rate index 135.1 against 120.6 six mentis ago. 75.9 and compared with 76.1 an Wednesday. The six menths age figure was 77.9.

The pound finished above the day's lows, unaffected by a \$666n trade deficit in May and a current account surplus of \$34m trade deficit in May and a current account surplus of \$34m trade deficit. The pound finished above the change in Tokyo yesterday with the Bank of Japan probably interest were much in line with expectations. The Open meeting failed to have much effect. The pound rose to \$1.5195 from \$1.5170 and DM \$3.3765 compared country bank intervention on a with DM \$3.3625. Elsewhere it rose to \$7.522.25 from \$251.75 and FFT 10.7625 from FFT 10.7175. DEUTSCHE MARK — Trading range against the deltar in 1966 when the absence of any other factors, because against the deltar in 1966 trading and intervention may have occurred when the dollar sales. There had \$2.2295. Exchange rate index 135.1 against 120.6 six months ago.

The pound finished above the change in Tokyo yesterday with the Bank of Japan probably interventing to prevent 5 fall in the dollar. Japanesse authorities will be keen to try to retain the absence of any other factors, because of any other factors, and the absence of any other factors, because against the deltar in 1966 the country in the dollar sales. There had 2.2295. Exchange rate index 135.1 against 177.2 stx meanths ago.

The yan showed very little change in Tokyo yesterday with the Bank of Japan probably interventing to prevent 5 fall in the dollar. Japanesse authorities will be keen to try to retain the dollar sales. There had deter dollar sales. There had been a large sell order in sarly trading and intervention may have occurred when the dollar closed ago.

The Deutsche Mark was a little yield in New York and Y166.45 in Tokyo on Wednesday.

POUND SPOT-FORWARD AGAINST POUND One month

p.s. months

2.86 1.05-1.03pm

1.36 0.39-0.43pm

2.55 24-3-pm

2.55 40-40pm

2.55 40-40pm

2.52 42-2-pm

0.43 0.15-per pm

6.23 49-4-pm

-8.91 253-752dis

-7.06 167-310dis

-2.06 8-16dis

-4.37 12-12-dis

2.65 67-40pm

5.13 28-2-pm

5.13 28-2-pm

franc not available.

not 3.66-3.48c pm.

DOLLAR SPOT-FORWARD AGAINST DOLLAR

| 1.5080-1.5200 | 1.5190-1.5200 | 0.39-0.36c pm | 2.86 Y.08-1.03 pm | 2.76 | 3.855-1.3841 | 1.3525-1.3840 | 0.77-0.20c dia | 0.77-0.20c dia | 0.77-0.20c dia | 0.76-0.20c dia |

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the ledividual currency.

Belgian rate is for convenible frames. Financial frame 45,80-45.90

Jun. 26 # - - - DM YEN FFY. | SFY. HFL LINE | CO | 2 FE. OTHER CURRENCIES 0.929 1.412 3.136 234.4 10. 2.069 3.535 2153 1.066 64.16 0.360 0.560 1.321 91.33 3.883 1. 1.376 838.0 0.765 34.97 0.963 0.599 0.887 66.89 2.889 0.797 1, 508.9 0.856 18.16 0.432 8.656 1.457 108.0 4.646 1.193 1.842 1000 0.913 29.80 0.475 0.718 1.595 118.2 6.066 1.507 1.798 1095 1. 52.65 G S

Yan per 1,000: French Fr per 10: Line per 1,000: Belg Fr per 100,

**EURO-CURRENCY INTEREST RATES** 

71a-75a 7-71a 411-44 85a 87a 612-612 B.Fr.(Fin).... B.Fr.(Con) ... Yon..... D. Krono .... Asian 5 (Sng) 714-716 7-716 456-434 634-914 612-715 7-714 718-748 <del>4|8-516</del> 818-6 618-716 715-750 7-710 416-413 819-9 616-716

### MONEY MARKETS

### Very quiet trading

MONEY RATES Ore Two Three Six (Lombard Months Months Months Months Months Months Months Months 

\* Stilling min.

Interest rates remained steady on the London money market yesterday. Three-month inter-bank cased very slightly be yesterday. Three-month inter-bank cased very slightly be yesterday. Three-month inter-bank cased very slightly be yesterday. Three-month inter-bank base purchased outright, by yesterday. Three-month inter-bank base purchased outright, by yesterday the per cent from bank bills in band 3 at 94 per cent and 155m bank bills in band 3 at 155m bank bills out to be present leafled by percent bank bank balk Interbank
Sterling CDs
Local AuthortyPeppe
Local Authorty Bonds
Discount Mixt Depos.
Company Depos.
Finance House Depoe
Treasury Bills (Buy)
Bank Bills (Buy)
Fine Trado Bills (Buy)
Dollar CDs.
ERR Depos.
ECU Depos. 

Treasury Sills (sail): one-month 3th, per cent; three months 9th, per cent. Bank Sills (sail): one-month 9th, per cent, three months 9th, per cent. Treasury Sills: Average tender rate at discount 3.5050 per cent. ECGD Fixed Figure Scheme IV reference date May 7 to June (inclusive) 10.176 per cent.

Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses have flats 10th per cent from June 1 1996. Bank Ospoot: Rates for sums at seven days' notice 4.35-4.375 per cent. Cartificates of Tax Depost: Series 5: Ospoot: E100,000 and over held under one month. 10 per cent one-three months 30 per cent three-six months 9th per cent strong one seven days' none months 9th per cent. Under £100,000 9th per cent from June 25, Deposiats held under Series 5 9th per cent. Deposits withdrawn for cash 5th per cent.

Lacking a focus

the dollar benefited from largely technical demand ahead of the quarter and half year end. Trading was extremely quiet and uneventful with the dollar closing at DM 2.2289, up from DM 2.2106 on Wednesday. Earlier in the day it had been fixed at DM 2.2198 without any intervention by the Bundesbank. Despite a bearish undertone, the dollar was supported by fears that central banks would intervene to prevent another weaker trend.

JAPANESE YEN — Trading range against the dollar in 1986 is 202.70 to 161.05. May average 1167.01. Exchange rate index 207.0 against 177.2 six meeths ago.

LIFFE US TREASURY BOND FUTURES OPTIONS LONDON SE E/S OPTIONS E12,500 (dents per E1)

**CURRENCY RATES** CERT DEPOSAT (IAMA)
Sim points of 100%
Letast High
June
Sapt
Dec Sept June 83.
Sapt 83.
Dec 83.
March 83.
THREE-MONTH EURODOLLAR (IMM)

Lin/burg | 68,00.69.10 | 45,40.46,50 | Malaysia, 3,899.3.39402,5235.2,6366 | MZ'land | 2,8415.2,8480 | 1,8745.1,8795 | 1,8745.2,8480 | 1,8745.2,8755.3,8800 | 1,8745.2,8755.3,8800 | 1,8745.2,8755.3,8800 | 1,8745.2,880 | 1,8745.2,885 | 1,8745.2,885 | 1,8745.2,885 | 1,8745.2,885 | 1,8745.2,885 | 1,8745.2,885 | 1,8745.2,885 | 1,8745.2,885 | 1,8745.2,885 | 1,8745.2,885 | 1,8745.2,885 | 1,8745.2,885 | 1,8745.2,885 | 1,8745.2,885 | 1,8745.2,885 | 1,8745.2,885 | 1,8745.2,885 | 1,8745.2,885 | 1,8745.2,885 | 1,8745.2,885 | 1,8745.2,885 | 1,8745.2,885 | 1,8745.2,885 | 1,8745.2,885 | 1,8745.2,885 | 1,8745.2,885 | 1,8745.2,885 | 1,8745.2,885 | 1,8745.2,885 | 1,8745.2,885 | 1,8745.2,885 | 1,8745.2,885 | 1,8745.2,885 | 1,8745.2,885 | 1,8745.2,885 | 1,8745.2,885 | 1,8745.2,885 | 1,8745.2,885 | 1,8745.2,885 | 1,8745.2,885 | 1,8745.2,885 | 1,8745.2,885 | 1,8745.2,885 | 1,8745.2,885 | 1,8745.2,885 | 1,8745.2,885 | 1,8745.2,885 | 1,8745.2,885 | 1,8745.2,885 | 1,8745.2,885 | 1,8745.2,885 | 1,8745.2,885 | 1,8745.2,885 | 1,8745.2,885 | 1,8745.2,885 | 1,8745.2,885 | 1,8745.2,885 | 1,8745.2,885 | 1,8745.2,885 | 1,8745.2,885 | 1,8745.2,885 | 1,8745.2,885 | 1,8745.2,885 | 1,8745.2,885 | 1,8745.2,885 | 1,8745.2,885 | 1,8745.2,885 | 1,8745.2,885 | 1,8745.2,885 | 1,8745.2,885 | 1,8745.2,885 | 1,8745.2,885 | 1,8745.2,885 | 1,8745.2,885 | 1,8745.2,885 | 1,8745.2,885 | 1,8745.2,885 | 1,8745.2,885 | 1,8745.2,885 | 1,8745.2,885 | 1,8745.2,885 | 1,8745.2,885 | 1,8745.2,885 | 1,8745.2,885 | 1,8745.2,885 | 1,8745.2,885 | 1,8745.2,885 | 1,8745.2,885 | 1,8745.2,885 | 1,8745.2,885 | 1,8745.2,885 | 1,8745.2,885 | 1,8745.2,885 | 1,8745.2,885 | 1,8745.2,885 | 1,8745.2,885 | 1,8745.2,885 | 1,8745.2,885 | 1,8745.2,885 | 1,8745.2,885 | 1,8745.2,885 | 1,8745.2,885 | 1,8745.2,885 | 1,8745.2,885 | 1,8745.2,885 | 1,8745.2,885 | 1,8745.2,885 | 1,8745.2,885 | 1,8745.2,885 | 1,8745.2,885 | 1,8745.2,885 | 1,8745.2,885 | 1,8745.2,885 | 1,8745.2,885 | 1,8745.2,885 | 1,8745.2,885 | 1,8745.2,885 | 1,8745.2,885 | 1,8745.2,885 | 1,8745.2,885 | 1,8745.2,885 | 1,8745.2,885

CURRENCYMOVEMENTS

78.0 115.6 78.3 126.5 95.4 85.9 156.1 160.6 125.2 69.1 46.2 207.0

9.00 am ..... 75.8 10.00 am ..... 75.7 Noon ..... 75.8 2.00 pm ..... 75.9 3.00 pm ..... 76.0 4.00 pm ..... 76.0

**EMS EUROPEAN CURRENCY UNIT RATES** 

+0.54 +0.64 +9.46 -1.68 +0.42 -0.22 -1.46 士1,5388 士1,6408 士1,7202 士1,3701 士1,5061 士1,6669 士4,0788 Changes are for Equ, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

### FINANCIAL FUTURES

Trading was very lethargic on the Lundon International Finantical Futures Exchange yesterday. The dull state of the market clal Futures Exchange yesterday. also reflected lack of trading Dealers commented that there towards the end of the quarter was no focus to the market, and also little consensus about the US traders showing reloctance implications of various potential to get involved ahead of the factors, including the Mexico July 4 Independence Day holiday debt problem. This may lead to a flight of quality, and a tion on July 6. Shortly after, on demand for US Treasury bonds, July 8, provisional UK money or cause such difficulties for US banks that confidence suffers and

in sterling-denominated interestrate contracts.

Disappointment at the result of the US Treasury seven-year note section led to a sell-off in interest-rate contracts, overnight in Chicago, and after opening weak on Liffe contracts recovered on short covering.

It was also suggested that buying was encouraged by a news report about a privately sponsored financial conference, to be held in Zurich at the weekend, and strended by several bighand strended by several high ranking officials, where the gab-ject of currency values and interest rates will be discussed.

rates is expected before that date. This is also limiting activity in sterling-denominated interest-

Calis—Lest Dec July Aug Sept Dec July Aug Sept Dec 722-00 0.00 10.00 10.00 0.00 10.00 0.00 1.00 0.00 1.00 0.00 1.00 0.00 1.00 0.00 1.00 1.00 0.00 1.00 0.00 1.00 1.00 0.00 1.00 1.00 0.00 1.00 0.00 1.00 0.00 1.00 0.00 0.00 1.00 0.00

**CURRENCY FUTURES** 

POUND-S (FOREIGN EXCHANGE)

8% \$100,000 32ads of 100% Sept 58-16 98-20 87-20 38-10 Dec 67-24 57-08 87-08 38-1 Estimated volume 6,565 (7,565)
Previous day's open lat. 6,168 (6,783)

Close High Low Prev 164.15 184.25 183.66 183.80 Sept 1.5085 1.5087 1.5020 1.5140 166.80 196.85 188.40 266.50 Dec 1.4983 — 1.5046 1.5085 1.5085 — 1.5046 1.4913 — 1.4966 273 (386) — 188.40 Estimated volume 257 (16) Previous day's open int. 2.824 (—)

STERLING INDEX June 26 Previous 75.9

75.9 75.9 76.0 76.1

## SWORLD VALUE OF THE DOLLAR BANK OF AMERICA NT & SA, ECONOMICS DEPARTMENT, LONDON The table below gives the rules of exchange for the U.S. dellar against various currencies as of Wednesday, June 25, 1906. The exchange rates listed are middle rates between hoping and solling rates as quoted between hours, unless otherwise indicated. All currencies are quoted in foreign currency units per one U.S. dellar except in certain specified areas. All rates quoted are indicative. They are not based on, and are not intended to be used as a basis for,

hilly for errors.

Bank of America, Economics Dept., London Eurodollar Libor as of June 25 at 11.00 a.m. 3 months: 611 6 months: 611

ECU-\$US.968061 SPR1=\$US3 Sitor as of June 25 at 11.00 a.m. 3 months: 7 6 months: 6 } SDR1=\$USL17

COUNTRY	CURRENCY	VALUE OF DOLLAR	COUNTRY	CORRENCY	VALUE OF DOLLAR	COUNTRY	CURRENCY	YALUE OF DOLLAR
Albania Albania Algeria	Afgiumi (e)	50.60	Greece	Dyachem Danish Krone	140.65	Papers New Guines	Kina	0.9653
Alberia	Lek Dieser	6.6632	Greenland	E. Caribbean S	8.226 2.70	Paraguay	- (Guerral (O.C.)	240.00 693.00
Ageria	(French Franc	7.073	Custoloupe	Franc	7.073	Perr	- Sect. (a)	13.95
Anderra	- LScanish Pesses	341.63	GORN	. 8.5. \$	1.00	Chilliplace	Peso	20.55
ــــــــــــــــــــــــــــــــــــــ	- Kamera	29.938	Contends	(Quetzal (o) Quetzal (b, 0	1.00	Pitcalen Islands	N.Z. Deller	1,8622
Antigen	. E. Caribbour \$ Amstral (2)	2.70	Gadoug Biogra	- Peto	2.88	Potent	Zioty (e) Escusio	264.39 150.43
Argentina	Florin	1.00	Guinea Republic	(Frant	370,479 340.00	Puerto Rico	8.S. S	1.00
Nustralia	Dotter Schilleg	1.4972 15.588		Ufranc (I)	900.00	Outer	Winel	3643
Matria	Schilley	15.588	Corner	. Dollar	4,7094	Reunion tale de la		7.073
Azores	Pertuguese Escudo Dellar	150.43	Halti	. Courde	5.00 2.00	Romeele	-{Les (c)	17.49
Raturalis	. Dieser	0.3769	Hamberts Republic	Lempira (d)	2.00 2.55		- Item (c)	1249
Pelegric Estands	Speedsh Pesets	341.83	Hong Kong	Dollar	7.811	Reands		87.7864
	_ Taka	30.30	Hungary	Fortet	45.97	St. Christopher	E. Caribbana \$	2.70
Tortadas	. Dollar (Franc (c)	2.0113 45.33	Iceland	. Krom	41.46	St. Helera	- Pound*	1.5158 2.70
Delgisar	Franc (0)	45.745	india	Ruper	12.55	St. Plarre	E, Caribbean S Franch Franc	7.073
Delize	Dollar	2.00	Indonesia	Rupter Ruptah Ethil (a)	1132,00	St. Viacest	E. Carltham \$	2.70 2.174
	. C.F.A. Franc	363.45			78,8607	St. Lucia St. Pierre St. Viscont Sauum (Western)	. Take	2.174
Netrauda	. Dellar . Ngoltrun	1.00	iraqirisi Republic	Punt	1363			1.00
	(Peso (a)	1904000	(stac)	. New Shekel	1.495	San Marino	Dobra -	38.6752
Delivia	" LPess (f)	1940000.	Caly	. Linz	1523.50	Saud Arabia	C.F.A. Franc	3.751
	Crumde (o)	2.07 13.84	Jan 100	Detter (c)	5.46 166.18	Several Seychelles	C.F.A. Franc	353.45 6.2833
Grazii	_ Crimes (o)	2,2106	Jordan	Yea Disar	0.3314	Stychelles	. Ruper Lance	4.92
	Lev	0.941	Kampuchen	Riel		Singapore	. Collar	2.2386
Beridge Faso	. C.F.A. Franc	353.65	Kenne	Shillion	36,4345	Selemon Islands	. Dottar Shilling	1.7212
	. Kyst . Franc	7.2772 104,871	KGribati	. Australian Dollar			_ Shilling	36.00
lererd			Korea (North)	Wee	1.4972 0.94	South Africa	Rand (f) Rand (o)	4.3011 2.5458
Canterous Rp	. C.F.A. Franc	353.45	Koree (South)	. Was Disar	967.70 0.2937	Seek	- Pesetz	141.63
henry istants	Specials People	24153	Lacs Piles D Rep.	. 1 <b>2</b> p	35.00	Specielo porte la Morte Africa		
ane Verde Islands	Escurio	89.2698	Laternan	Pound	45.40	Sri Lasica	Sporish Persta Hopes (Pound (p)	141.85 27.96
	. Deller	0.635	Lesotho	Maluti	2 5458	311	(Pound to)	2.45
Africa Rep	C.F.A. Franc	253.45 353.45	Liberta	. Dollar	100	Sodas Republic	_{Pound (b) (3)	2.45 2.93 4.00
3/Je	Peso (p)	191.10	Litera	Diener Swint Franc	0.3287 1.82		Pound (I)	4.00
**************************************	- Resemble Yune	3.202	Linearibourg	Lanembourg Franc	45.35	Surinem	. Litangeal	1.765 2.5458
ciombia	- Peso (a) C.F.A. Franc	193.28 353.65	Macao	Paters	\$1195	Swelter	. Krenn	7.148 1.82
name Pecale's Sec. of .	C.F.A. Franc	353.45	Marienegar Deet, Res.	Frida,	486.766	Switzerland	, Franc	1.82
cogo People's Rep. of .	Colon	55.83	Madeira	Portuguese Excelo Vocazio Ringgit	150.43	Syria	- Pound (p)	2.925
ate d'Ivoire	C.F.A. Franc	353.45	Malanda	Pinosit	1.8619 2.629	Talento	. Dollar (s) Skilling	29.65
Table	- Pego - Pegod*	1.96	Malaysia Maldive Islands	. Ruften	7.00	Tapopola	- Baht	26.34
Spres	Koruma (a)	1 6.00	Mail Xepilote	. C.F.A. Franc	353.65	Togo Republic.	G.F.A. Franc	353.45
Denraturk	Krase	8.226	Mail2	- Lim*	2.5543 7.073		. Pa'anga	1.4972
Denrateric Officeati Rep. of	Franc	177.06 2.70	Martinique Mayritania Mayriths	. Franc	77.00	Trinided & Younge	(Dollar (b)	2.409 3.60
	E Caritheen \$	2.79	Variths	Ougulya. Rupae	13.30	Turble	. Dieser	0.755
Pominican (topublic	Peso (d)	279	Medes	(Pess (d) Pess (e)	13.30 610.50	Tertory	Lira	489.74
Consider	(Sucre (d)	169.68			567.30 7.073 7.073	Turice & Calcos Islands .	. US \$	1.00
	' \Sucre-(6	309.25	Migselon	French Franç French Franç	7.073	Towaku		1.4972
·	Postd	0.83 1.35	Moreco	Tearly (6)	3.3555	ــــــ علسمولا	(Shilling (se) (6) (Shilling O)(6)	4960.08 1400.00
	(Colon	5.00	Montaeret	E. Caribbean S	2.70	. Hotted Arch Emirates	_ Diriani	2472
U Sahador	Colon (si)	5.00	Moroccó	Otrhem	9.12	.United Arah Emirates Balted Kingdom	Power Starling	3.673 1.5158
Equatorial Guines	C.F.A. Frame	323.65	Mocretique	Metical ·	40.61	Ussr	. Peso (m)	150.75
Shicola	Birt (a)	20715	Hamildia	B. A. Rand	25458	USSR	- Restric Valu	0.7025
Pertit Islands	. Danjide Krosso	8.226 1.5158	Hears Islands	. Australian Dollar	1.4972	Vaticas	. Van.	94.0172 1521.50
Politicand Islands ,	Perod* Dollar	2.1364	Nepal	Repos	20.50 2.499		(Solivar (g)	7.50
Telepid	. Marida	5149	Netherlands Antilles		1.80	Venezuela	. ( Softwar (ii) (1)	4.30
(Table	. Franc	7.973	New Zeeland	Dollar	1.8822		Literary (a)	10 14
reach C'ty in Alkica	GF.A. Franc	353.65		(Cordoba	70.00	Vietnem Virgin Islands (British) Virgin Islands (US)	. Dong	12,1795
French Culana	. Franc	7.073	Michigan	(Cordobe (d)	975.00	virgin istants (British) , Vicela (classic (1987)	. VS \$	1.00
resch Pacific Islands	. C.F.P. Franc	338.60 353.45	Migg: Republic	C.F.A. France	953.45 1.1403	Alubri farmer (na) """	. 07 \$ Diel	1.00 8.515
	C.F.A. Franc Datasi	7.40	Nigeria	Haira Krose (4)	7.566	Yemes PDR	Diese	.0343
ermany (East)	Ostanie/k (o)	2,2195	Onton Sultagate of		0.385	Yuppethyla	Diam	409.18
ermety (West)	, Dautsche Mark	2.2195			16.92	Zaire Republic	. Zaire	57.0943
James (West)	Codi	90.00	Pakistas	Rapas Rabas	16.92	Zambia	- Kwatta	7.278

a.s. Not appliable. (a) Market rate \*1.5. dollars per National Currency unit. (a) Freemarket central hank. (b) Official rate. (b) Freemarket, interhank. (c) Commercial rate. (d) Freemarket. (d) Controlled. (f) Floration rate. (d) Professional Rate. (d) Agricultural products. (f) Priority Rate. (1) Versus 11.19%. (d) Agricultural products. (f) Priority Rate. (1) Versus 11.19%. (d) Agricultural products. (f) Priority Rate. (l) Versus 11.19%. (d) Sadas, 14 Agr St. Third exchange rate introduced. (d) Norway, 21.18% (d) Versus, 21.18% (d) Versu

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Exhibitions

32		Financial Times Friday June 27 1986  FINGINFERING Continued INDUSTRIALS Continued
BRITISH FUNOS  1966   Price  + mr   Yield  High Low   Stock   C - int.   Red.	AMERICANS—Cont.  1986 Price + or Div Year Main Less Stock L - Grass Crar Gra	LONDON SHARE SERVICE Stack Pricy - Net CW Gry PIE 139 16 16 16 17 18 17 16 17 18 18 18 18 18 18 18 18 18 18 18 18 18
"Shorts" (Lives up to Five Years) 1024 1004 14c 1986 1814 1814 1814 1814 1814 1814 1814 18	37 27/LaternNar Factori	BUILDING, TIMBER, ROADS—Cont DRAPERY & STORES—Cont. 122 75 (Buildon Win 10p 128 1 20 3.6 3.4 14.3 32 3.6 Anneu Tuj. 130 30 -1 6.7 7 3.7 193 193 193 193 193 193 193 193 193 193
97/2 921/Eath 21:ex 1987 97/2 100:21-4 10 42 9.31	354 254 254 254 254 254 254 254 254 254 2	159 85 Centerverifity '4 10. 62 33 4 75 4 10. 10. 193 Starting Group 200 106 4-5 11.05 8.0   1.4   12.3 26   15 Brown Eng. 10c 201 05 1.6   31   123 10   445   200   00 Sec Cure Curdor June 10c 10c. 8.0   1.4   12.3 26   15 Brown Eng. 10c 201 05 1.6   31   123 10   445   200   00 Sec Cure Curdor June 10c 10c. 8.0   1.4   12.3 26   15 Brown Eng. 10c 201 05 1.6   31   123 10   125   1
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186 92 06.25 07 09 1310.71 103 4 1 3.22 131 115 9 40 4 0 5.25 07 120 131 120 131 103 4 1 3.17 3.52 131 131 132 132 132 132 132 132 132 13	134 10-/Toronto-Dunt Bit.II 11mi 84c - 3.7 986 7660 Wiront Car Pee 7660 - 5 11.13 - 7.0  BANKS, HP & LEASING	142   131   Da. W NV   334     4.5   2.9   4.8   8.4   372   260   Mr. Sep. & Cost. 10c.   265   4.5   260   Mr. Sep. & Cost. 10c.   265   17   Mr.
Prospective real redemption rate on projected Initiation of (1) 10% an (2) 5%, (b) Figures in parentheses show RPI hase mounts for indexing le 5 months prior to issue, RPI for October 1985; 377.1, and for Ma 1905; 386.0.	17 297 210 ANZ SAL 213 -2 ASIG 31 70 46	220 128   101   102   103   10
INT. BANK AND O'SEAS GOVT STERLING ISSUES  1164 90 Arten 19 80 114 1 200 1 104 1 10 10 10 11 11 11 11 11 11 11 11 11 1	250   190   Suited Iroh   13   260   +2   264.79   34   52   73     84   63   Anyboder   141.15   85   1   277   27   33   104     85   107   Barran de Silvan S.A.   1287   107.79   27   23   33   104     85   107   108   108   108   108   108   108     950   650   Barran de Silvan   161   161   161   161     950   650   Barran   108   161   161   161     950   230   184   145   161   161   161   161     950   230   184   145   161   161   161   161     950   120   184   145   161   161   161   161     950   120   184   145   161   161   161     950   120   184   145   161   161   161     950   120   184   145   161   161   161     950   120   184   145   161   161   161     950   120   161   161   161   161     950   120   161   161   161   161     950   120   161   161   161   161     950   161   161   161   161     950   161   161   161   161   161     950   161   161   161     950   161   161   161   161     950   161   161     950   161   161   161     950   161   161   161     950   161   161   161     950   161   161   161     950   161   161   161     950   161   161   161     950   161   161   161     950   161   161   161     950   161   161   161     950   161   161   161     950   161   161   161     950   161   161   161     950	452 333 Rickert tot 500 455 150 244 49 11.2 423 270 RECentry 1570 45 10.9 6 42 0 364 238 Aug. Brit. Ftb. 50 317 47 61 3.8 27 11.27 210 186 Control 109 230 1.141 11.00 764 Recent 0.155 779 11.00 764 Re
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103-3 10-5 10-5 10-5 10-5 10-5 10-5 10-5 10-5	97 67 (Convers Security)	225 179 Phys
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FOREIGN BONOS & RAILS  1986 Price Price Foreign Vield	145   87   Boddington   134   325   24   33   17.5     500   375   Brown Hauthen   98   +7   44.0   17   40   27.1     98   57   Botchey's Brew   98   +1   2.9   14   42   19.1     180   145   BulmerHi, P   50   36.3     500   410   BulmerHi, P   50   36.3     510   405   Clast Matthem   505   +5   10.8   6   2.8   6     510   405   Overdent LLA   950   410   32   31   27.1     147   113   Do 4 Sec (v 2ndPl   147   044.5   -31   27.1     540   420   451   50   -35   50   420   451   31   13.3     540   420   451   50   -35   50   420   451   31   3.3     540   420   451   50   -35   50   430   8.2   6   2.0   6     541   542   543   545   55   7.7   41   13.2     543   185   Greens Rune   10   3.95%   -7.6   -7.6     543   185   Greens Rune   10   50   50   50   50   50   50     544   545   545   545   545   7.7   41   13.2     545   545   545   545   545   545   545   545   545     546   546   546   546   546   546   546   546     546   546   546   546   546   546   546   546     547   547   547   547   547   547   547   547     548   547   547   547   547   547   547   547     548   547   547   547   547   547   547   547     549   547   547   547   547   547   547   547     540   547   547   547   547   547   547   547     540   547   547   547   547   547   547   547     540   547   547   547   547   547   547   547   547     540   547   547   547   547   547   547   547   547     540   547   547   547   547   547   547   547   547     540   547   547   547   547   547   547   547   547   547     540   547   54	145 99 Here Exchi (192 128 - 13.0 - 15 1 31) Security (192 34 127 Security (192 128 127 Security (192 128 127 Security (192 128 12
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Financial Times Friday June 27 1986

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### **Account Dealing Dates**

Option
\*First Declara- Last Account Dealings tions Dealings Day June 16 June 26 June 27 July 7 Jane 30 July 10 July 11 July 21 July 14 July 24 July 25 Ang 4
"New-time" dealings may take
place from 9.30 am two business days

Shares and bond markets put up a creditable performance in London yesterday. Despite the large amounts of casb tied up in the Thames TV and Morgan Grenfell share issuea, sufficient funds were available to send leading slocks higher again and rescue Government securities from an early setback.

US influences via Wall Street's surge to a record level on Wednesday and selective support of international issues were a prop for the equity markel. Blue chips made forward pro-gress with the emphasis on curgress with the emphasis on current American favourries. ICI
were singled out ahead of a
meeting with investment
analysts, while British
Petroleum and Royal Dutch
were among several others on
transatiantic buying lists.

UK institutional investors WK institutional investors were encouraged to cast off their pre-occupations with the Thames TV and Morgan Grenfell floiations and they too began inquiring for certain stocks. The upward movement was stow reserved. flecting some doubts over the US market's ability to maintain its strength. The Dow Jones index reacted in the early trade but London equities refused to

retreat.
Arbitraguers and other pro-Arbitraguers and other pro-fessional operators were caught on the hop and moved swiftly to close outstanding short posi-tions. The resulting demand ensured a continuation of the firmness and the FT indices closed at the day's best levels. announcements dinsocial and economic informa-Uon, including the May trade returns, had no impact on the

trend,
After a three-day spell of rising values, the Gilt-edged market ran into an early bout of prost-taking. The sales were trigcered by an initially easier sterling/dollar rate and by a reactionary trend nvernight in US honds. These two influences lended to dominate trading and when the pound eventually picked un agaiost the US currency, Gilt prices did likewise.

The recovery was aided later by a firmer opening tone in the US bond market and by the after-hours' trade most Gills had reverted to their overnight closing levels. The exceptions were selected low-coupon shorta which retained losses of 1 or so.

#### Clearers rise

**EQUITY GROUPS** 

& SUB-SECTIONS

Figures in parentheses show number of stocks per section

Motors | 16| \_\_\_\_\_\_\_ Other Industrial Materials (22) \_\_ CONSUMEN GROUP (183) \_\_\_

Brewers and Distillers (22) \_

Food Manufacturing (22)

Publishing & Printing (141...
Packaging and Paper (141...
Stores (41)...
Textiles (171...
Tobaccos (2)....

OTHER GROUPS (88)

FINANCIAL GROUP (116).

FT-SE 100 SHARE INDEX 4 ......

142.76

150.01

168.36

FIXED INTEREST

flining Finance t3) .... Overseas Traders (14)

Leisure t26)...

Oil & Gas 1171 ...

Banks (7),...

British Cov

2 5-15 years ...

3 Over 15 years...

1 | CAPITAL GOODS (213) ...

### Institutional and US support push leading shares up again

port with gains of 15 and 18 respectively recorded in Leopold Joseph, 500p. and Mercury International, 818p. First National Finance Corporation featured Hire Purchases with a rise of 13 to 205p in anticipation of today's interim results. Standard Chartered touched 792p on to 205p in anticipation of today's interim results. Standard Chartered touched 792p on hopes of an increased offer from Lloyds today before reacting to end unaltered at 788p.

Composites took Thursday's good gams a substantial stage further. General Accident were outstanding for a rise of 19 at \$37.0, while GRE firmed 9 at \$77.0 and Royals appreciated 7 at \$74p, Willis Faber, reflecting the expected success of the Morgan Grenfell flotation, advanced 14 10 437p among Lloyds Brokers where Stewart Wrightson revived with a speculative gain of 22 at 412p.

Beaverro began life quite brightly in the Unlisted Securities Market and touched 158p before slipping back to close at 150p; the recent placing price was 145p. Airsprung, the other USM debutant, was introduced at around 117p and ended at that level. The introduction of fullylisted Bertrams Investment Trust was a quiet affair and the shares eased from an opening 53p to settle at 50p; the new nil-paid shares were quoted at a marginal premium.

Leading Breweries continued to make modest progress, albeit in a relatively disappointing trade. Gains of 5 were noted for Whitbread A. 307p, Allied-Lyons, 357p, and Grinness, 330p. Scottish and Newcastle also hardened 5, to 212p; the annual results are expected next Tuesday. Among Regionals. results are expected next Tuesday. Among Regionals, further consideration of the respective interim and final results lifted Eldridge Pope A 10 to 3700 and fellow USM con-cern Fuller Smith and Turner 30 to 5000 30 to 590p.

A firm Building sector was bigblighted by BFB Industries which raced ahead to close 23 higher at 510p following preliminary profits well above the most optimistic forecasts and the eccuraging accompanying most optimistic forecasts and the encouraging accompanying statement. Costain continued their recent advance and settled g up at 558p, while revived takeover speculation boosted Henderson Group 7 to 240p. "New-time" buying lifted Wiggins Construction 6 to 73p. ICI added 15 at 981p, after 963p on persistent US buying; a press report said that repre-sentatives of the company were scheduled to address Wall Street analysts last night.

FT-ACTUARIES SHARE INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

Thursday June 26 1986

Day's Change %

+9.9 +9.3 +9.4 +9.7 +9.3 +0.4 +0.4 +0.5 +0.5 +0.5 +0.7 -0.9 +1.7 -0.9 +1.7 -0.4 +0.6

858.93 +0.3 7.97 1228.81 +0.6 16.64

+0.9 +0.1 +1.1 +0.5 -0.2 +1.1

808.50 +0.4

xti adj. today

13.60 11.12

ud adj. 1986 to date

6.07

6.90

7.29

7.27

891.86 +0.3

607.49 637.39 863.73 487.86 1182.16

378.33 792.16 347.14

756.53 263.24 681.88

Weds June 25

-0.66 123.21

-0.08 142.88

-0.10 150.16

-0.08 168.49

87,42 -0.01 87.44

740.54

1728.72

1322.56

1824.83 1580.85 902.94

2557.32 492.42 879.22 552.56 1126.98

Gross Div. Yield% (ACT at 29%)

3.29 3.56 3.84 3.84 3.84 3.06 3.01 3.29 3.78 2.18 3.89 1.91 3.22 2.81 4.34 3.92 4.34 4.34 3.98 4.20

14.92 17.44 17.17 15.75 13.90 18.74 13.98 19.52 16.23 13.80 14.23 20.23 20.23 14.36 14.56

Clearing banks gave a firm performance in anticipation of a successful conclusion to NatWest's right issue, NatWest moved up 12 more to 509p with the new shares 13 better at 505p in fully-paid form, Barelays gained 10 to 507p and Lloyds, at 367p, and Midland, at 533p, firmed 5 aplece. Bank of Scotland appreciated 8 at 326p, Merchant banks attracted selective sup-

	Jame	June	Jine	Jone 23	June 20	year ago	1986		Siece Compilation	
	26	25	24				High	Low	High	Low
Government Secs	90.84	90.99	90.68	90.47	90.32	81.86	94.51 (18/4)	80,39	127.A (9/3/33)	49.18
Fixed Interest	96.92	96.69	83.69	96.61	96.43	86.42	97.51 122/4)	86.55 (23/1)	150.4 (28/1147)	50.53
Ordinary ♥	1359.1	1344.8	1339.4	1338.2	1353.4	935.9	1425.9 (3/4)	1094.3	1425.9 (3/4/86)	49.A (21.640
Gold Mines	202.1	193.5	203.7	208.5	213.8	432.2	357.0 (27/1)	1923	734.7 (15/2/63)	43.5
Ord. Div. Yield	4.08	4.11	4.12	4.12	4.08	4.95		S.E. A	CTIVITY	
Earnings Yid.%(full)	9.79	9.00	5.89	937	9-01	1241	Įm.	dices .	June 25	June 2
P/E Ratio (net) (*)	12.43	12.35	12.31	12.33	12.41	9.84	Gilt Edged	Bargales	131.2	129.8 134.7
Total Bargales (Est)	23,845	23,166	24,575	23,889	25,574	21,256	Equity Bary Equity Valu	pairs	133.8	134.7
Equity Turnover £m	-	53L05	479.02	584.A7	587.66	400.58	5-Day Aves	30e	1073.4	968.2
Equity Bargales	-	20,650	20,784	22,996	21,880	18,762	Gilt Edged	Bargaigs	125.0 141.3	123.6
Shares Traded (ml),,		221.4	192.6	233.4	238.7	203.5	Equity Valu	pics	1153.7	123.6 143.5 1,160.7
	10 a.m.		a.m.	Noon		1 p.m.	2 p.m		3 p.m.	4 p.r
1353.5	1351.8	135	0.7	1345.9	9   1	352.3	1352	1 1	353.2	1353

Elsewhere in Stores, bid speculation continued to surround mail-order house Grattan, finally 6 up at 432p—a rise of 30 so far this week. Ward White provided another firm feature, rising 18 to 326p following the confident tenor of the chairman's statement at the annual meeting. Courts (Furnishers) A bardened a few pence to 121p in the wake of the full-year figures, while a favourable preas mention lifted Stirling 5 to 106p.

stage before closing the day 9 higher on balance at 166p following persistent speculative buying fuelled by talk of a possible bid from Tesco. Unigate, meanwhile, rose 7 to 310p ahead of a meeting with analysts in tha American demand left Cadbury Schweppes up another couple of pence at 184p. Hillsdown firmed to 1293p on acquisition details, while gains of 12 and 20 respectively were recorded in A, and G.

Stirling 5 to 106p.

The prospect of tougher regulations on its public telephone charges unsettled British Telecom which eased to 222p before closing 4 cheaper on the day at 224p. Elsewhere In the Electrical sector leaders, GEC, the subject of BTR bid rumours recently, gained 4 more to 218p; the preliminary figurea are expected next Tuesday. Telephone Rentals, refecting revived bid rumours, closed 10 bigher at 225p, but Kewill Systems eased 5 to 78p after the preliminary figures. Amstrad regained 6 to 116p and demand continued for VG Instruments which rose 12 VG Instruments which rose 12

more to 497p.

Apart from Vickers, up 13 at 473p, on compensation hopes following reports that judgment on Lithgow would be delivered at Strasbourg on July 8, leading Engineers rarely strayed from previous closing levels, Elsewhere, buying ahead of the preliminary figures scheduled for July 11 left Crown Honse 16 to the good at 215p. News that the Government is to control the salt price, prompted an juital fall to 350p in Staveley, but the share price subsequeoity rallied to close 10 better on balance at 570p. Country buying left Bronsgrove Castings 8 better at 122p, while Birmingham Mints, results due on July 10, Improved 8 to 186p. more to 497p.

Mon June 23

Jone 25

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8.22 736.62 734.99 729.99 489.86 10.04 792.80 792.19 793.99 487.44 18.56 1223.31 1219.75 1219.44 726.32

17.44 | 10.04 | 792.80 | 792.19 | 793.99 | 477.44 | 17.44 | 17.45 | 17.23 | 1219.75 | 1219.44 | 77.45 | 17.17 | 30.53 | 1891.85 | 1912.63 | 1994.11 | 1326.02 | 13.75 | 13.90 | 1714.03 | 1763.85 | 1864.88 | 1327.00 | 13.40 | 6.03 | 40.55 | -1.27 | 413.60 | 281.02 | 13.74 | 4.35 | 370.58 | 364.60 | 362.16 | 179.38 | 13.98 | 3.72 | 314.56 | 313.73 | 314.04 | 157.88 | 19.52 | 44.09 | 1318.99 | 1324.93 | 1324.93 | 391.96 | 14.23 | 11.19 | 928.43 | 924.45 | 925.53 | 632.85 | 13.80 | 9.92 | 968.70 | 966.03 | 933.21 | 601.30 | 14.23 | 10.03 | 684.85 | 680.96 | 680.07 | 485.22 | 282.31 | 10.49 | 1587.10 | 1583.54 | 1663.42 | 1011.87 | 16.36 | 14.51 | 896.30 | 897.96 | 680.07 | 485.22 | 22.31 | 14.61 | 896.30 | 897.96 | 902.76 | 617.04 | 16.50 | 46.31 | 2550.95 | 2545.14 | 2542.95 | 1719.43 | 18.38 | 650 | 497.55 | 487.43 | 496.34 | 317.25 | 17.95 | 544.51 | 543.83 | 542.23 | 323.13 | 18.86 | 20.60 | 1118.31 | 1118.99 | 1107.00 | 828.22 | 15.30 | 7.73 | 796.52 | 800.59 | 803.21 | 644.05 | 12.65 | 17.28 | 900.20 | 903.15 | 907.03 | 713.63 | 16.66 | 4.59 | 251.62 | 251.62 | 253.11 | 168.68 | 14.82 | 4.57 | 167.20 | 1664.40 | 1052.81 | 14.82 | 4.97 | 1221.22 | 1205.76 | 1197.76 | 1052.81 | 15.90 | 9.63 | 856.46 | 854.61 | 1197.76 | 1052.81 | 15.90 | 9.63 | 856.46 | 854.61 | 1197.76 | 1052.81 | 15.90 | 9.63 | 856.46 | 854.61 | 1197.76 | 1052.81 | 15.90 | 9.63 | 856.46 | 854.61 | 1197.76 | 1052.81 | 15.90 | 9.63 | 856.46 | 854.61 | 1197.76 | 1052.81 | 15.90 | 9.63 | 856.46 | 854.61 | 1197.76 | 1052.81 | 15.90 | 9.63 | 856.46 | 854.61 | 1197.76 | 1052.81 | 15.90 | 9.63 | 856.46 | 854.61 | 1197.76 | 1052.81 | 15.90 | 9.63 | 856.46 | 854.61 | 1197.76 | 1052.81 | 15.90 | 9.63 | 856.46 | 854.61 | 1197.76 | 1052.81 | 15.90 | 9.63 | 856.46 | 854.61 | 1197.76 | 1052.81 | 15.90 | 9.63 | 856.46 | 854.61 | 855.34 | 648.25 | 15.90 | 12.97 | 12.21 | 12.21 | 12.21 | 12.21 | 12.21 | 12.21 | 12.21 | 12.21 | 12.21 | 12.21 | 12.21 | 12.21 | 12.21 | 12.21 | 12.21 | 12.21 | 12.21 | 12.21 | 12.21 | 12.21 | 12.21 | 12.21 | 12.21 | 12.21 | 12.21 |

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Weds Jame 25

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AVERAGE GROSS REDEMPTION YIELDS

| Index | Day's | Day's | Day's | June | Jun

5 years...... 15 years......

25 years....

3.88

4 Medium 5 Coupons

6 7 High 8 Cours

LONDON REPORT AND LATEST SHARE INDEX: TEL 01-246 8026

meanwhile, rose 7 to 310p ahead of a meeting with analysts in tha US next week. Renewed American demand left Cadbury Schweppes up another couple of pence at 184p. Hillsdown firmed 19 to 293p on acquisition details, while gains of 12 and 20 respectively were recorded in A. and G. Barr, 295p, and Hazlewoods, 840p. S. and W. Berisford touched 239p before reacting in the absence of the widely-rumoured bid from Ferruzzi to finish 3 lower on the session at

#### Hargreaves down

Hargreaves resecting profit-taking after the preliminary figures, fell away to close 10 cheaper at 180p, but Charter Consolidated responded to com-ment on the annual results with a gain of 7 at 265p. Pentiand Industries revived at 855p, up 25, while bid speculation lifted Nn Swift 22 to 130p. Reuters still while bid speculation lifted Mn Swift 22 to 130p. Reuters, still benefiting from US demand, put on 12 more to 50Sp. Buying ahead of the interim figures scheduled for next Monday left Blue Arrow 15 to the good at 38Sp. Technical Components Scheduled for next Monday left
Blue Arrow 15 to the good at
3829. Technical Components
firmed 10 to 3109 on acquisition
news, while old takeover
favourite Christies International
closed 10 higher at 2989. Profit
taking after the preliminary
atatement left Stainless Metal
craft 7 cheaper at 1939, while
Crest Nicholson, 1639, and Stonehill Holdings, 779, also closed
a few pence lower after trading
statements. Bodycote revived
with a gain of 20 to 3159 and
British Steam picked up 10 to
2850. Spring Ram were good at
2389, up 16, while renewed buying in a restricted market
prompted a rise of 30 to 5159
In Parkfield.
BL, a dull market recently,
rallied 8 to 549 following news
of substantial US ordets for the
Rover Sterling, the flagship of
the new Rover 200 series devel-

Rover Sterling, the flagship of the new Rover 800 series devel-oped in the joint venture with Honda Jaguar met fresb US sup-port after hours' and put on 6 more to 531p. Components also trended former with Pains of 5 more to 531p. Components also trended firmer with gains of 5 common to Lucas, 595p. Dowty, 229p, and AE, 250p; the last-mentioned is currently in receipt of a bid from Turner and Newall. USM-quoted accessory cash-and-carry group Spice eased a couple of pence to 90p following the interim statement. Among Distributors, "call" option business helped BSG International gain 2 to 494p, while renewed demand in a restricted market lifted.

at 339p, after 336p.

Textiles featured Courtailds which responded to often aizeable support and touched 292p before settling a net 10 up at 290p; the company is about to host a presentation for analysts at its Spanish fibre operation. Elsewhere, hopes of further rationalisation in the sector in the wake of John Crowther's latest acquisition moves, directed attention to Sirdar, 12 up at 154p and Strond-Riley Drummond, 7 dearer at 117p; the latter's full-year figures are expected during the next trading Account. Lister, annual results due next Monday, put-na 4 more Investment Trusts highlighted Group Investors which announced unitisation proposals

Newspapers 5 for a three-day advance of 18 to 333p; the interim results are scheduled for

July 9. Daily Mail A were marked a couple of points bigher to £19‡ following reports that the com-

pany intends to change its domi-

Secondary issues yesterday provided the main features in Properties. Regalian, still refecting the recent good results in 100 per cent scripissue, jumped 35 to 605p, while buying on the group's development prospects left Marier Estates 40 to the good

at 485p. Sheraton Securities met with renewed speculative sup-port and gained 4 at 54p, while Greycoat added 9 at 262p. Daejan put on 5 more to 755p, but further sporadic offerings in an unwilling market caw Exerton

further sporadic offerings in an unwilling market saw Egerton Trust drop to 88p before closing 5 easier on balance at 94p. Centrovincial Estates eased to 190p following the results, but later rallied to close unaltered at 195p. Among the leaders, Land Securities attracted another good business with sellers finally holding sway and the close was 2 off at 339p, after 336p.

cile to the Netherlands.

announced unitisation proposals and touched 308p before settling 35 higher on balance at 295p. In Financials, Altken Hume dipped to 163p following the rejection of the revised share-exchange offer from Tranwood, but later rallied to 166p. a loss of only a penny on balance, as Tranwood announced that its increased bid bad received acceptances in respect of 31.7 per eent of Aitken Hume's equity.

Shell move ahead in a restricted market lifted
Western Motor 10 to 183p.
Among firm Publishers, revived support lifted Associated

The Firm oil prices and the absence of any bad news from the Opec meeting in Brioni encouraged renawed support for

### NEW HIGHS (102)

NEW HIGHS (102)

AMERICANS [6], BANKS [1],
BAEWERS [2], QUILDING (6),
8TORES (2), ELECTRICALS (8),
ENGINEERING (5), FOODS (3),
INDUSTRIALS (10), INSURANCE (1),
LEISURE (1), MOTORS (2),
NEWAPAPERA [5), PAPER (5),
PROPERTY (7), SHIPPING (1),
TEXTILES (3), TRUSTB (28), OILS [6),
OVERSEAS TRACERS [1],
PLANTATIONS (1)

NEW LOWS (25) BRITISH FUNDS (1) Trene. 3pc 1981.

**NEW HIGHS AND LOWS FOR 1986** INT. BANK & O'SEAS GOVT. STERLING ISSUES [1] Mex. 16½pc 2008.
AMERICANS [2] Amex. Oamaon 011, CANADIANS [1] Trenn Canada Pipe.
ANNES [1] Wespec. CHEMICALS [1] Raniokil, ELECTRICALS (5) 085
Tachnology, Humbarsida Electronic, 12L, Process 8ystems, Rodime, United Leasing, INDUSTRIALS [2] European Ferren 5.75pc Cnv Pf. Lep Greup, LEISURE [1] Scanro, TRUSTS [1] Caladona Invs., 01LS [3] Claremont Petrolaum, Consolidated Anneo, Sovereign 011, MINES (6) Ourban Oesp, West Rend, Afro-Weet Mining, Meiane Mineraln, Queen Mergnret Gold.

#### BASE LENDING RATES

month 6.03%. Top Tler—625,000+ at 3 months notice 9.72%. At call when £10,000+ remains deposited. ‡ Call deposits £1,000 and over 64% gross. ¶ Mortgage base rate. § Demand deposit 5.82%. Mortgage 11%.

the oil majors. A mixture of sustained European and US buying interest lifted Shell 8 to 805p Royal Dutch 1 to 1531 and BP 3 to a 1986 high of 588p.

Second-line Oils continued to make progress especially Industrial Scottish Energy which edged up 3 more to 88p following the agreed 90p a share cash hid from Texas Gas Exploration. Century attracted fresh speculative Interest which lifted the shares 4 to a year's best of 135p. while news of the acquisition of US oil and gas assets, in a deal involving the issue of around 23.35m new shares, two promisory notes of up to 15.5m and \$2.04m in cash boosted Exploration Company of Louislana 5 to 45p. Sovereign eased a penny to 34p on news of the proposed £2.5m rights issue and the re-negotiation of the contract for the Sovereign Explorer drilling rig which the directors say will result in substantial cost savings both short and long term.

Confirmation of further U8 support coupled with a lively

Confirmation of further U9 support coupled with a lively connentation of future of support coupled with a lively traded option business lifted Lonko & more to 249p. Other Overseas Traders were subdued, A largely technical rally in the Financial Rand, which rose 0.75 cents to 23.25 cents, and another firm showing by the bullion price triggered a recovery in South African gold and related issues. Many posted their first gains for six trading days. Golds edged higher for much of the session before faltering around tha opening of US markets. Reports of probable economic sanctions when EEC Foreign Ministers met in The Hague yesterday morning failed Hague yesterday morning failed to materialise and dealers awaited bard news of the out-come of the summit between EEC Heads of Governments, which took place later in the

At the close of business the leading beavyweights were left with gains ranging to almost £2 as in Vaal Reefs, at £341. Randfontein advanced £13 to £441, Southwall a point to £173 and Buffels 3 to £124. Cheaper-priced Buffels § to £12‡, Cheaper-priced Golds included numerous firm features especially Blyvour, 25 up at 280p, and Unisel which rosa 17 to 375p, Kloof were 19 better at 355p and Hartebeest 14 to the good at 194p. The Gold Mines index, down 27.4 over the previous five sessions, regained 2.8 to 202.1.

South African Financials and Platinums mirrored the trend

Platinuma mirrored the trend in Golds. In the former sector, De Beers advanced 15 to 420p, Anglo American Corporation 25 to 715p and "Johnnies" £1 to £51. Rusthenburg Platinum jumped 19 to 558p and Impala 13 to 543p. 13 to 543p.

Interest in UK-domiciled Financials was minimal. Con-solidated Gold Fields held at 430p, despite the upturn in Golds, but Rio Tinto-Zine drifted off a couple of pence to 593p. off a couple of pence to 593p.

The Australian mining sector failed to arouse any substantial interest. Another general bout of weakness by overnight domestic markets and renewed pressure on the Australian dollar in London stifled an early attempt at a rally and the majority of stocks closed with minor alterations, either way. Golds provided a firm feature in Gold Mines of Kalgorile, 10 higher at 380p, while the leaders showed Western Mining 4 harder 134p.

### Traded Options

off to an extremely encouraging start with 2,601 calls and 591 pnts transacted. Lourbo and Hanson Trust were also popular with 1,708 and 1,710 calls traded respectively. Total contracts struck amounted to 18,164.

EUROPEAN OPTIONS EXCHANGE Vol. Last Ver Last 4.18 14 3.10 5 7.50 9.7 44 F1.89.10 FI.167.50 FI.107.50 F1.293.60 FL167.70 FI.112.20 FL48.40 FI.177 4 90A 4 10 13.30 FI 53.60

#### TRADITIONAL OPTIONS

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#### YESTERDAY'S ACTIVE STOCKS

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#### WEDNESDAY'S ACTIVE STOCKS

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Cable & Wire.		705	+15 .	Bass		805	+1
ERF		75	+12	Beecham		402	+ 4
Smellbong		178	****	Land Sec	12	341	- 2
Glexo	m.c	£1013	****	Shell Transport		797	+12
Aegen Comms.		315	+20 .	Stand. Chartd.		788	- :
							-

### RISES AND FALLS YESTERDAY

Totals	620	448	1,76
Plantationa Mines Others	2 52 75	15 53	11 11
Financial and Properties	155 23	43 10	38.
Corporations, Dominion and Foreign Bonds	308	210	5 98
British Funds	Rison 3	Falls 89	Sam

#### **LONDON TRADED OPTIONS** CALLS 120 80 45 44 23 23 13 2 6 18 41 388 Tr. 111,% 1991 (%110) 198 110 112 24 A STATE OF THE PARTY OF THE Cable & Wire Tr. 114% 0300 550 175 600 129 650 80 700 40 198 143 110 65 Sep Dec Mar Sep Dec Mar 105 83 58 58 70 32 77 1410 12 240 260 260 22 12 6 36 24 12 16 24 29 40 — 14 (\*313) (\*E)(0) 64 44 17 138 112 She Circle (\*626) 115 125 28 80 95 47 53 — 65 55 — 110 127 145 2 85 106 5 90 73 18 52 62 70 10 38 46 13 22 28 Aug. Nov. Mar Aug Nov Mar 194 29 34 18 18 — 5 11 — 7 82 16 16 20 30 31 32 -190 155 125 90 170 145 Aug. Nov. Feb. Aug. Nov. Feb. 40 60 78 17 22 28 28 35 48 43 47 52 7 15 — 62 85 — 31 19 12 - 35 - 97 62 460 500 550 360 53 72 83 e 390 28 52 62 13 420 12 24 - 27 460 40 77 95 7 200 35 52 70 20 550 15 30 44 52 300 330 360 390 57 65 30 65 33 25 220 14 22 28 10 240 5 12 16 24 260 2 6 11 42 13 160 27 32 37 3 180 10 17 22 9 F7-SE 1525 index 1550 (\*2437) 1575 1600 1625 1650 1675 1700 127 129 129 77 300 63 73 330 35 48 360 18 30 71 U<sub>2</sub> 40 7 34 24 June 26, Total contracts 18,164. Calls 14,249. Pars 3,915

18.38 16.40 10.28 11.36 19.87 10.39 11.41 11.62 10.58 10.83 7.70 9.80 9.87 9.33 9.32 9.32 9.35 9.35 9.35 7.64 8.99 9.26 9.14 9.30 9.26 9.46 9.33 8.87 158.59 -0.68 | 138.70 5 All stocks...... Index-Linked
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Inflat'n rate 10% 3.88 3.38 2.56 3.72 3.77 3.39 2.55 3.23 Index-Linked 618 618 619 619 113.11 +0.08 113.03 Over 5 yrs... 5 yrs... Over 5 yrs... 6 | 5 years... 218.18 -0.13 | 118.33 1.64 7 Over 5 years\_ 1.55 All stocks. 117.25 -0.09 117.36 9.94 10.23 9.98 16.22 16.28 11.94 11.69 11.58 9 Debentures & Laura ... 120.27 | -0.07 | 120.36 16 Leans 17 5.74

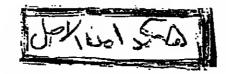
3Opening kadex 1630.2; 10 am 1634.4; 11 am 1633.9; Noon 1636.1; 1 pm 1636.3; 2 pm 1636.4; 3 pm 1637.1; 3.30 pm 1637.5; 4 pm 1637.3 † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A new list of constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, Loudon EC4P 48Y, price 15p, by post 28p.

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	WORLD STOCK MARKETS							
	AUSTRIA  GERMANY  NORWAY  June 26   Price + or   June 28   Yeh	CANADA						
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	Rnr \$	System of Packers   45   45   45   45   45   45   45   4						
	Air Liquide 778 +8 Fis Cer-Sushrio 1,850 -2 Canon 1,010 -20 Sensor 277 -0.01	NEW YORK-now Jones 1986						
	Carrefour   1,285cc   50	Jame						
۹,	OVER-THE-COUNTER Nasdaq notional market, 2.30pm prices	NY.S.E. ALL COMMON SEES AND FALLS SOUTH AFRICA JEE GOld (28,67) 1986 June June June June June June June June						
	Stock   Sales   High Law Last One   High Law Last Chang   Hinds	1986   1986						
	Priss   10   10   10   10   10   10   10	MONTREAL Particle   1.551.84   1.557.85   1.550.25   1.550.25   1.523.33   18/4   1.586.6   1.523.33   18/4   1.586.6   1.550.25   1						
	Quantom     931     1734     1712     1712     14     5 mmstr     .68     1188     267     26     26     -14     TacVIV     44     28     29     29     -14     Voltuni     98     2072     20     20     -12       Quantom     102     19     187     187     23     20     23<	LONDON Chief price changes (in pence unless otherwise indicated)  Net West 509 1.19						
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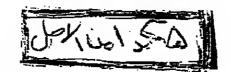
Continued on Page 35

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451<sub>4</sub> 451<sub>2</sub> 83<sub>6</sub> 351<sub>6</sub> 993<sub>6</sub> 13<sub>6</sub> 1071, 241<sub>6</sub> 253<sub>6</sub> 1143



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### FINANCIAL TIMES **WORLD STOCK MARKETS**

**WALL STREET** 

### **Profit-taking brings** retreat

A COOLER trend in the Treasury bond markets brought some profit-taking in Wall Street stocks yesterday, write Terry Byland and Roderick Oram in New

After a brave start, industrial stocks began to sag, with weakness in transporation indices again dragging the re-mainder of the market down. At 3pm the Dow Jones industrial aver-

age was down 8.08 at 1,878.97. The other major market indices

showed minor falls from the new peaks established in the previous session. The bond market tried to extend its recent gains, spurred on by a prediction by Mr Allen Sinai, of Shearson Lehman Brothers, that "the odds are now 60-40 on another federal reserve relaxation"

as part of a co-ordinated round of rate

cuts ahead of the Japanese elections on

July 6. But support soon faded as traders reacted to the disappointing outcome of Wednesday's auction of Treasury securi-

As bonds returned towards their overnight levels, losses in the stock market

Frankfurt

Dec 1,1953-100

**Paris** 

CAC General

Dec 31, 1982-100

STOCK MARKET MOICES

775.13\*

195.43\*

1.353.1

808,50

891.86

202.1

509.7

9.35

June 26 Previous Year ago

782.13 193.02

248,93

1.344.8

1,637.5 1,629.4 1,236.5

804.98

888.98

193.5

17,600.95 17,516.63 12,910.3

1,357.64 1,353.86 1,028.39

509.5

3,688.96 3,676.78 2,314.57

2,118.3° 2,133.32 1,887 3,071.1° 3,068.2 2,704.8

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684.92 671.71 337.46

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175.52 177.16 77.59

2,428.45 2,399.1 1,315.42

559.2

June 26

335.20p

\$345.20

\$344.52

\$344.20

\$346.60

£1,712.50 £1,684.50

£878.50

\$11.475

561.10

June 25

COMMODITIES

GOLD (per ounce)

325.60 323.1

1,258.7 1,010.9 1,175.7 978.5

n/a 217.4

637.42 646.86

284,50 283.9

360.70 364.6

358.70

135.10

n/a 116.42 102.29

9.33

656.48 163.83

190,06

933.9

594.86

648.25

432.2

508.6

196.76

228.4

473.64

174.6

322.21

978.5

443.3

Yearage

231.9

Prev 337.20p

€897.50

\$11.45

Prev \$344.25

\$344.25

\$343,93

\$343.20

83.2

10.60

SF

BPr

1,876.97\* 1,885.05 1,323,81

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NEW YORK

LONDON

FT Ord

TOKYO Nikkei

AUSTRIA

BELGIUM

CANADA

Belgian SE

Montrea

DENMARK

FRANCE

CAC Gen

Ind. Tendance

FAZ-Aktion

HONG KONG

Hang Seng

Banca Comm.

NETHERLANDS

ANP-CBS Gen

ANP-CBS Ind

NORWAY

Oslo SE

JSE Golds

1SE Industrials

Madrid SE

SWITZERLAND

Swiss Bank Ind

MS Capital Int'l

Silver (spot fixing)

Coffee (September)

Copper (cash)

Oil (Brent blend)

SWEDEN

J&P

(London)

London

Zürich

Paris (fixing)

Luxembourg

New York (Aug)

SINGAPORE

Stratts Times

SOUTH AFRICA

ITALY

WEST GERMANY

Commerzbani

Tokyo SE AUSTRALIA All Ord.

FT-SE 100

FT-A 500

FT Gold mines

FT-A Long gilt

Metals & Mins.

Credit Aktier

DJ Industrials

S&P Composite 248.21\*

The transportation sector proved a weakening influence in the market, with both its two main elements, airlines and railroads, turning down Second thoughts about People Express' problems are leading investors to expect fierce competition from other airlines fighting for market share. American lost \$1% to \$53% and Texas Air, a low-fare leader, was off \$2% at \$32%.

ITT was the most actively traded stock with about 3.3m shares moving before lunch. Demand and price were boosted by hopes that its talks with European competitors would bring some profitable rationalisation of its telecommunications business. The two-day gain extends to \$7% at \$52%.

In contrast, other high-technology stocks felt some selling pressure. Computer makers may suffer from a tax reform-induced slowdown in capital spending in the autumn. Wang, down \$1% at \$14%, is forecasting weaker profits. The sector leaders showed similar vulnerability on price, with IBM off \$%, Burroughs \$%, NCR \$% and Honeywell

Indications that US-Japanese semi-conductor trade talks were stalling again depressed chip makers exposed to Japanese competition. Texas Instruments was down \$3% at \$117%. Motorola was off \$% at \$38% and Advanced Micro Devices down 5% to \$21%. National

Semiconductor was unchanged at \$11%. Takeover rumours pushed up American Brands, a leading cigarette maker, by \$2 to \$94%, near the \$100 level the stock has seen during earlier bid specu-lation. The industry as a whole has been

W. 200

**US DOLLAR** 

2.215

2.494 1,518.5

INTEREST RATES

45.25

June 26 Previous

2.2215

166.0 7.0825

1,525 45.45

(3-month offered rate)

6-month US\$

US Fed Funds US3-month CDs US3-month T-bills

Treasury

7%

7%

1–30 1–10

15-30

AT & T

3% July 1990

10% Jan 1993

8 April 1996

Arco

8% March 1996

9% March 2018

**General Motors** 81/4 April 2016

CHICAGO

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LONDON

Three-mo

Sep

Sept

8% 32nds of 100%

\$1m points of 100%

\$1m points of 100%

\$1m points of 100%

£50,000 32nds of 100%

9% March 2016 97.015

US Transpry Bonds (CBT)

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Source: Salomon Brothers

SCBT South Can

1993

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2016

STEPLING

1.517

3,3625 251.75

2.303.5

9% 5% 4% 7%

61%

61% 67% 6.925 6.24

Yield 100%z 6.932 99%z 7.40

7.423

Day's

-0.03

-0.04

-0.05

-0.03

-0.00

Price

99°%2 99°%2

7.50

7.33 7.04

7.52 8.06

Prev

90% 6.73

8.25

8.30

Price

106%

1021/2

Yield

7.409

98% 7.343 98%

100% 6.898

99\*34 7.365

June 25° Day's change

+0.12

+0.15

+0.15

+0.17

+0.03

6.77

9.61

8.25

8.30

June 26

FINANCIAL FUTURES

Latest High

94.28 94.30 94.22 94.27

93.36 93.28 93.37

122-27 122-28 122-09 122-22

992%2

Source: Harris Trust Savings Bank

152.10 144.62

136.15

146.48 178.89

Source: Memil Lynch

June 26 Previous

1.5195

3.375

166.0 252.25 251.75 7.07, 10.7626 10.7175

3.805

2.317

KEY MARKET MONITORS

buoyed by several recent cancer-related court cases.

The retail sector had another busy session, with Sears Roebuck gaining a further \$1/2 to \$481/2 in brisk trading. But May Department Stores weakened \$% to \$81% as it began its \$60-a-share tender offer for Associated Dry Goods. However, Dry Goods edged up \$\% to \$65\%, with heavy turnover suggesting that the arbitrageurs are stocking up and expect-ing May to return with a higher offer.

K mart, another recent speculative favourite, added \$% to \$56, and J. C. Penney gained \$1/2 to \$821/4.

In the pharmaceutical sector Bristol-Meyers rebounded by \$1% to \$7% after the weakness which folloned the deci-sion to withdraw all capsule products. Up John, with speculation over its anti-baldness product less intense lost \$1% to

However, the pharmaceutical leaders look mixed, Pfizer added \$¼ to \$70, but Merck lost \$% to \$101. Chemicals were also irregular, with Du Pont a weak spot, down \$1% at \$83%.

Sharply lower third-quarter profits from American Medical, the health-care pioneer, drove down its shares by \$% to \$16%. The company, along with competitors such as Humana (down \$1/2) and National Medical (off \$%), is suffering from the medical insurance squeeze on hospi-

tal profitability. In the credit market short-term rates eased behind federal funds, still comfortably below 7 per cent. Turnover in bonds was slim, as traders waited for the newly sold federal securities to pass into the market place.

#### LONDON

SHARE and bond markets put up a creditable performance in London vesterday. Despite the large amounts of cash tied up in the Thames TV and Mor-gan Grenfell share issues, sufficient funds were available to send leading stocks higher again and rescue govern-ment securities from an early setback. Blue chips made progress with the emphasis on current American favour-

ites. ICI, up 15p at 981p, was singled out ahead of a meeting with investment ana-The FT Ordinary share index ended

8.3 up at 1,353.1, and the FT-SE 100 share 8.1 better at 1,837.5. After a three-day spell of rising val-ues, the gilt-edged market ran into an

early bout of profit-taking. But prices picked up later in line with a firmer

Chief price changes, Page 35; Details, Page 34; Share information service, Pages 32–33

#### **AUSTRALIA**

CONCERN over the outlook for the economy in the wake of the national wage decision, the weakness of the local currency and the recent spate of bearish economic forecasts combined to undermine Syney markets.

The All Ordinaries index shed 5.6 to 1,190.1 on national turnover that was sharply down to 66.8m shares from the previous day's 99.1m.

Market leader BHP slipped 4 cents to A\$8.46 after a low of A\$8.40 in thin trad-

Among other diversified resource stocks, Bell Resources lost 5 cents to A\$4.15, CSR 10 cents to A\$3.18 and Bond Corp 8 cents to A\$3.55.

Industrial stocks were also under pressure, with Amatil easing 10 cents to A\$7.70, Elders IXL 5 cents to A\$4.75 and Hooker 3 cents to A\$2.80.

### **HONG KONG**

SELLING PRESSURE gained momentum as the day progressed in Hong Kong with foreign institutions switching their investments to equities in Singapore and Australia.

The Hang Seng index, which advanced almost 4 points during the morning and the day a net 9.34 lower at 1.750.38

Hutchison Whampoa lost 30 cents to HK\$28.90, but Hongkong Wharf ma-naged a 5-cent rise to HK\$7.

Property shares were lower although the results of an auction of three small property sites were in line with with expectations. Cheung Kong shed 20 cents to HK\$20.40, Sun Hung Kai Properties 10 cents to HK\$12.20 and Hongkong Land 5 cents to HK\$5.65.

### **SOUTH AFRICA**

GOLD SHARES were mixed in Johannesburg after a quiet and directionless day's trading.

Higher-priced golds were mostly lower, despite the firmer bullion price, but the cheaper issues ended 50 cents either side of the previous close.

Mining financials saw Gold Fields up R1 to R44.50, but Gencor shed R1 to R50. Among the other miners. De Beers lost 45 cents to R27.65, and Rustenburg Platinum shed 75 cents to R38.50, Copper share Palamin managed a 50-cent rise to R23.

### CANADA

A MIXED PICTURE emerged in Toronto after a firm start to the day, with industrials holding on to gains but oils, golds and metals losing ground in active trading.

Molson put on C\$% to C\$29% as it forecast substantially higher first-quarter

Carling O'Keefe added C\$\% to C\$13\% on expectations of a C\$12.5m gain from the sale of beverage trademarks in Europe and other areas.

Montreal managed to maintain some small early gains.

#### **EUROPE**

### Frankfurt fails to find buyers

A LACK of fresh incentives and the on-set of the European holiday season left

bourses with no clear direction. Frankfurt closed lower - in contrast to most other major bourses, which registered small gains – and the Commerzhank index shed 28.4 to 1,928.1 as buying

interest evaporated.

Only the car manufacturing and retailing sectors ended the session higher. Daimler closed DM 5 up at DM 1,355, VW added DM 1.20 to DM 536.20 and BMW was DM 7 higher at DM 592.

Among the store groups Karstadt firmed DM 1.20 to DM 341, Kaufhof rose DM 2 to DM 448 and Horten was un-

changed at DM 182.

Most major banks ended the session with small losses. Deutsche fell DM 2 to DM 775.50 and Dresdner DM 1 to DM 413.50. Commerzbank was unchanged at DM 307.2.

The easier trend was also seen chemicals where BASF fell DM 8 to DM 273.50 on lower turnover for the first half of 1986, and Bayer, which plans to streamline its consumer products divi-sion, lost DM 1.10 to DM 289. However, Hoechst closed unchanged at DM 263.50.
Among electricals Siemens continued

to fall losing DM 3.50 to DM 629. AEG lost DM 5 to DM 300. A Frankfurt stock exchange panel said yesterday it had found a "slight violation" of insider trading rules ahead of the announcement last year of AEG's merger with Daimler.

Bonds closed narrowly mixed. Gains of 30 basis points were balanced by similar losses among all maturities. The recent 5% per cent 1996 per cent federal government bond was unchanged at 99.45. The 8 per cent 2016 tranche fell 10 basis points to end at 98. The 6 per cent 1996 bond for the federal post office was

unchanged.
The Bundesbank sold DM 37.3m worth of paper after sales totalling DM 120.8m the previous day.

Amsterdam closed mixed as holiday

lethargy set in. The ANP-CBS index ended 1.1 higher at 291.20.

Internationals, which on Wednesday regained some of the losses suffered ear-lier in the week, slipped back again. Un-ilever fell F1 1.50 to F1 483.50 and Hoogovens Fl 1 to Fl 112.20. Royal Dutch, however, managed to add 90 cents to Fl

201.90 helped by foreign demand. Banks were mixed with foreign de mand again helping ABN to add a heal-thy FI 9 to FI 595. Amro put on 50 cents to FI 107.50, but NMB shed 50 cents to FI

Zurich saw small gains in most sectors - apart from chemicals and electri-cals - as buyers drifted back to the mar-

Among transport stocks Swissair continued to fall, closing SFr 40 lower to SFr 1,580. The company announced lower revenues last week.

Banks were mixed, with Swiss Bank up SFr at SFr 539 but Bank Leu SFr 25 down at SFr 3,500 and UBS SFr 15 lower at SFr 5,675.

Insurers saw some gains, with Winter-thur advancing SFr 25 to SFr 5,950 and Zurich up SFr 25 to SFr 7,600. Brussels saw small rises across the

board for the fourth consecutive trading day although trading was quiet. Petrofina, still buoyed by first-half

forecasts, continued to rise adding BFr 70 to BFr 8,600.
Elsewhere, UCB added BFr 30 to BFr 8,060 while Solvay was steady at BFr

Paris closed firmer helped by technical trading ahead of the second quarter.

Matra added FFr 15 to FFr 2,288 on the news that the French Government had given the go-ahead to its planned

car components merger with Fiat.

Milan closed higher in thin trading led by industrial blue chips. Madrid ended the session lower as did Oslo while

Stockholm closed higher, ending a week



#### SINGAPORE

A WAVE of profit-taking overwhelmed Singapore, leaving the Straits Times down 15.42 at 756.02.

Selling pressure was particularly intense on stocks approved for purchase with Central Provident Fund (CPF) money. Many of the stocks had received widespread support from the Govern-ment's recent decision to allow individuals to buy stocks with their CPF.

Industrials showing losses included Genting, down 22 cents at S\$4.50, National Iron, 20 cents lower at S\$3.72, and Straits Trading, 14 cents lower at S\$2.98.

A 24-cent decline to S\$7.25 by OCBC led the banking sector lower. DBS was 15 cents down at S\$6.70, and OUB shed 12 cents to S\$2.96.

Properties were mixed, and planta-tions showed no clear trend.

TOKYO

### Visit to peaks is extended

priced incentive-backed stocks in Tokyo yesterday, sending the Nikkei average to another record, writes Shigeo Nishiwaki of Jiji Press.

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US.

Contras

and the same

The index advanced 84.32 to 17,600.95 on volume to 880.5 shares, up from Wednesday's 820.8m. Gains outpaced losses 488 to 371, with 133 issues unchanged.

Yesterday was the last day of trading for delivery this month, usually a quie session with the dealing sections of securities bouses staying away from the market. Instead, they were out in force, expecting bullish institutional investors and businesses to buy actively with the start of trading for July today.

Among medium-priced incentive-backed issues, Toray advanced Y35 to

Y639 in active trading. Investors expect a new anti-cancer drug and increasing sales of carbon fibres to improve the company's performance.

Konishiroku Photo Industry, which recently launched a full colour copier, scored a daily limit gain of Y100 to Y810 at one stage. It closed at Y808, up Y98. Fujl Photo Film rose Y120 to Y3,020, reflecting expanding sales of a small cam-

Tokia Carbon added Y71 to Y649 on brisk demand for silundum whiskers, a new material for cars. Morinaga Milk, which is expanding its biotechnology division, advanced Y46 to Y710 while Takaoka Electric, a maker of transformers, climbed Y98 to Y880, following increasing equipment investment by power

Mitsui added Y18 to Y518 and Mitsubishi Y20 to Y860, with investors expecting both groups to benefit from falling interest rates. Nihon Nosan Kogyo, which has been attracting interest due to rumoured heavy buying of its shares by speculators, gained Y53 to Y979.

Trading decreased in low-priced, large-capital stocks which have been actively bought since early this month, but prices held firm. Ishikawajima-Harima Heavy Industries rose Y14 to Y311 in active trading while Tokyo Gas advanced Y13 to Y510. Nippon Kohan added Y5 to

Bond trading was slow. The barometer 6.2 per cent government bond maturing in July 1995 yielded 4.72 per cent, down from 4.73 per cent on Wednesday. The yield on the 5.1 per cent government bond due in March 1996 slipped below 5 per cent to 4.98 per cent temporarily but later turned up to finish at 5.02 per cent

### P.S.K.

ÖSTERREICHISCHE POSTSPARKASSE

Copies of the report and accounts of Österreichische Postsparkasse for the year ended 31st December, 1985 are now available and may be obtained

from

Österreichische Postsparkasse Georg-Coch-Platz, 2. A-1018, Vienna,

Orion Royal Bank Limited 1 Lordon Wall London EC2Y 5JX

Notice to the Bondholders of 113/4% US-Dollars 56,750,000 Gueranteed Bonds 1982/1989 81/4% Japanese Yen 22,000,000,000 Duel Currency Guaranteed Bonds 1985/1995

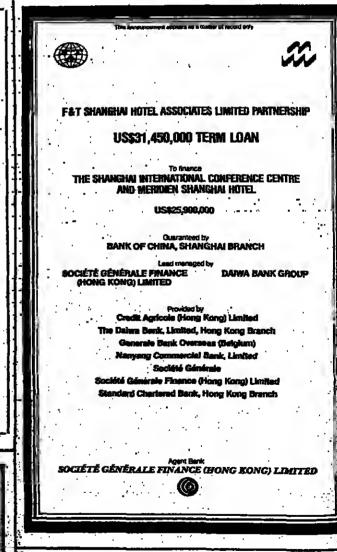
fasued by Österreichische industrieverwalts Autonossellschaft (ÖIAG) and gueranteed by the Republic of Austrie.

On April 4th 1986, the Mational Assembly of the Republic of America passed a Federal Law by which the corporate name of Osternachische Indiana. (OMG) has been changed to Österreichische Industrieholding

Aktiengeselischaft (ÖLAG) (Februi Legel Gezette No. 204/86 as et April 17th 1869)

ioned bonds remain listed on the Locardoury Stock Exchange and edon, followed by the indication of the new one. There will be no sta-ange of the bonds, resulting from the change of the composite per Further notices to Bondholders will indicate both der mer mousts as communities was immunitied by the day perferm all dispenses resulting from the above captioned bend lissues.

Österreichische Industrieholding





U.S. \$200,000,000 Bankers Trust Overseas Finance N.V. Incorporated in the Netherlands Antilles

Guaranteed Floating Rate Subordinated Notes Due 1994

For the three months
27 June, 1986 to 29 September, 1986 the Notes will carry an interest rate of 71/s per cent. per annum and interest payable on the relevant interest payment date 29 September, 1986 against Coupon No. 16 will be U.S.\$18-60 per U.S. \$1,000 Note and U.S.\$186-04 per U.S. \$10,000 Note.

By Morgan Guaranty Trust Company of New York, Lendon Agent Bank